



## OVERSEAS NEWS

## Chernobyl death toll rises to four

BY PATRICK COCKBURN IN MOSCOW

THE death toll from the Chernobyl nuclear accident has risen to four following the deaths of two of the 18 people seriously injured, a senior Soviet official has said in an interview.

Mr Valentin Fallin, a former Soviet ambassador to West Germany and the head of the news agency Novosti, denied in the magazine Spiegel that Mr Mikhail Gorbachev, the Soviet leader, had suffered a loss of credibility abroad because of the Soviet failure to tell Scandinavian governments the origin of the radioactive cloud detected over their countries two days after the accident.

"Before the General Secretary can issue such information, he has to get it himself," he said. "The General Secretary obtained the first detailed information before the Monday Politburo meeting. Let us leave it to the experts are responsible for such things."

Mr Gorbachev's failure to say anything about the disaster for two weeks since it occurred has caused surprise in Moscow and diplomats consider that it is likely to damage his standing.

Mr Fallin's account of events confirms reports from the Ukraine that it was only on Monday, more than 48 hours

after the accident, that senior officials in Moscow understood the seriousness of what had happened at Chernobyl. It was at this point that a special Politburo meeting was held and a commission of inquiry under Mr Boris Shcherbinin appointed.

The cause of the accident was human error, according to Mr Fallin. This was the cause of 70 per cent of atomic accidents in the world.

The reactor fire was extinguished quite quickly, Mr Fallin said.

Asked about the number of people expected to die from radiation, Mr Fallin said that

there would be 50 per cent of every 1,000 exposed to over 100 rad (a measure of radiation) during the accident, which he estimated at 100,000 people.

Mr Fallin said the Soviet Union had handled the disaster correctly but his admitted the news should have been released earlier and expressed surprise that Scandinavian countries had initially been told there was no nuclear accident in the Soviet Union. "I do not know who spoke to the Scandinavians. It could be they only spoke to subordinate officials," Mr Fallin said.

## Italian energy plans attacked

BY JAMES BUXTON IN ROME

THE STRENGTH of anti-nuclear feeling in Italy was powerfully demonstrated in Rome at the weekend when an estimated 100,000 people took part in a protest march calling for a ban on nuclear power.

The march, which was largely silent, passed close to the Soviet embassy in Rome, but its main target was Italy's nuclear power programme, which aims at adding three to four power stations to the country's three functioning plants.

The march was officially sponsored only by the left wing Radical and Proletarian Democracy parties. It received indirect support from the Communist Party, although the party is officially in favour of

a modest nuclear programme. The anti-nuclear movement in Italy, which has always been fairly strong, has been strengthened by the Chernobyl disaster.

At the weekend, the municipal authorities at Trino Vercellese in Piedmont, asked Enel, the national electricity authority, to stop preliminary site preparations on a nuclear power station there.

This was a "pause for reflection" until new safety standards can be established. On Friday night, following a meeting of the inner cabinet, Mr Renato Altissimo, the Minister of Industry, said that the national energy plan, which called for the construction of new nuclear power stations, was "going ahead."

"There must be a reconsideration, but at the international level," he said. At the weekend the Government lifted the ban on the sale of leafy vegetables and restrictions on milk in Sicily and Sardinia.

Agencies said 11 anti-nuclear protesters were arrested in Lucerne, West Germany, yesterday after trying to block a railway line leading to a nuclear waste dump close to the East German border.

In Yugoslavia, environmentalists at a protest rally have urged the Government to seek compensation from the Soviet Union for radiation damage from the Chernobyl nuclear plant. About 1,000 youths attended the rally on Saturday in the north-western city of Ljubljana.

## Poland puts faith in N-plants

By Christopher Edmunds in Warsaw

A LONG-TERM Polish economic plan, published for consultation at the weekend, stresses nuclear power as a means of satisfying future energy needs. It criticises the Chernobyl accident. The document assumes that Poland's first 1,700MW nuclear power plant at Zarnowice near the Baltic, now under construction, will be completed and work on a second will start soon in the north-west.

After 1985, the plan says, four more power plants will have to be built as the greatest share of power production shifts to nuclear energy and lignite-powered plants away from coal.

## France reveals radiation levels

BY DAVID MARSH IN PARIS

FRANCE has revealed that parts of the country suffered much higher doses of radioactivity than normal after the Chernobyl nuclear disaster, although the levels are said not to have posed a danger to health.

Publication of the figures a fortnight after the accident by the French Radiation Protection Service (SCRPI) has raised a flurry of controversy.

Although the French anti-nuclear movement is tiny compared with those of Britain and West Germany, French ecologists have accused Professor Pierre Pellerin, the SCRPI

chief, of covering up the impact on France of the nuclear mishap.

The SCRPI said at the weekend that parts of France had suffered radioactivity levels 400 times higher than normal in the days after the Chernobyl accident, with highest levels recorded in Alsace in eastern France.

This follows a week in which French nuclear experts have been claiming that the country—as a result of its geographical position and the prevailing winds—was largely spared the radioactive belt which passed over Europe after the catastrophe.

Prof Pellerin said that although regional levels of radioactivity were higher than normal they gave no cause for worry. His optimism has been challenged above all in Alsace, where the CPDT trade union has accused the authorities of holding back information.

The low level of anti-nuclear feeling in France—where the ecologists polled about 1 per cent of the vote in the recent general elections—has been both cause and effect of France's mammoth nuclear power programme, which now accounts for 55 per cent of the country's electricity production.

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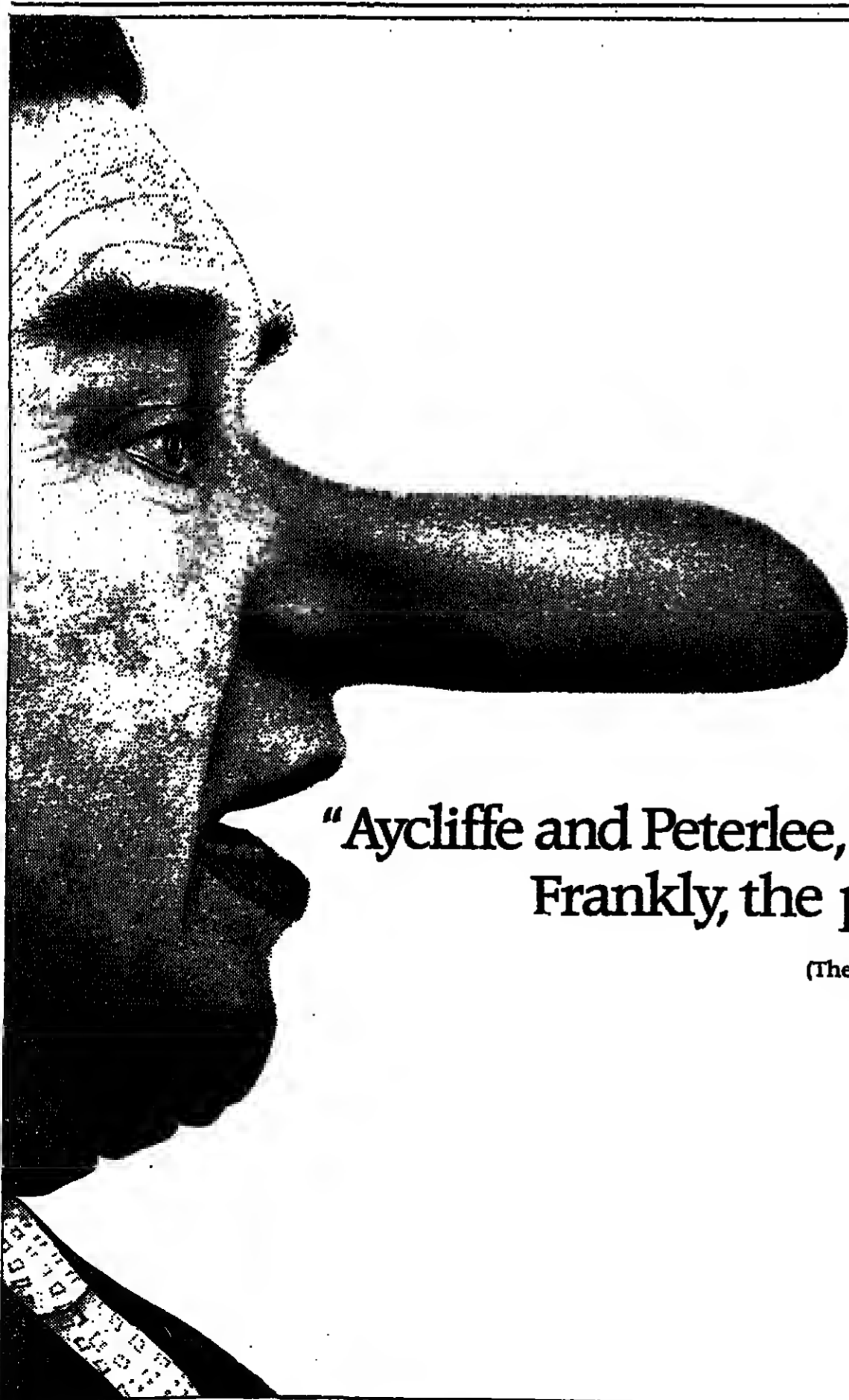
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## Nasa accused of 'glossing over' booster problem

By Nancy Dunne in Washington

AN INCREASINGLY angry presidential commission has faulted NASA the US space agency for "glossing over" its problems with the space shuttle's booster rockets and has denounced the demolition of officials who warned against the disastrous January 28 launch of the Challenger.

In transcripts released on Saturday of testimony taken at a closed door hearing on May 2, members of the commission learned that Morton Thiokol, manufacturer of the shuttle's boosters, had transferred Mr Allan McDonald and Mr Roger Boisjoly after the two engineers had told the commission of their warnings not to launch the shuttle in the freezing January 28 temperatures.

The company denied it had sought to punish the two or to frighten them from testifying, but the two men were stripped of their authority and their staffs.

Mr William Rogers, the commission chairman, called the job changes "shocking" and added that the two men were being "punished for being honest."

"If their warnings had been heeded that day... we might never have had an accident," he said.

One panel member, Mr Joseph Sutter, a Boeing vice-president, criticised NASA for failing to test the boosters "one one-hundredth of what you need to say it is safe."

"I am going to see that... there is going to be a lot of

full-scale testing" before the shuttle flies again, he said. Such tests could delay the resumption of shuttle flights well beyond July 1987 when they are tentatively scheduled to resume.

Panel members pressed repeatedly and unsuccessfully for explanations about NASA's handling of the booster problems and why warnings had been ignored. These, Mr Rogers said, had been "glossed over" in a "slick way."

Mr Lawrence Mulloy, chief of the rocket programme at the Marshall space flight centre, had signed six separate waivers permitting the rocket flight to go ahead, all the time knowing of engineers' concern about the erosion of the rubber O-rings which sealed the rocket joints.

Mr Mulloy, who was said in testimony to have pressured Morton Thiokol for launch approval on January 27, last Friday was transferred to another job. He will be assistant to the director of science and engineering at Marshall, a position with no defined responsibilities.

Documents released on Saturday also showed that the US Air Force had warned NASA that its Titan rocket boosters had suffered O-ring erosion.

Nasa, however, had failed to tell Titan managers that the shuttle was experiencing similar problems.

Nasa announced late last week that it will ask a panel of independent experts to oversee the redesign of the booster joints.

## Chirac orders cuts of FFf 40bn

By David Mousgo in Paris

MR JACQUES CHIRAC, the French Prime Minister, demonstrating his determination to cut public spending, has instructed Government departments to achieve FFf 40bn (£3.74bn) of budget savings in 1987.

The FFf 40bn reduction—equivalent to 1 per cent of gross domestic product—is in line with the combined election manifesto of the neo-Gaullist RPR and the centrist UDF parties.

Mr Chirac intends to use the savings to reduce the budget deficit and to cut taxation. Since the election he has promised a FFf 15bn-20bn reduction in the budget deficit next year from an anticipated FFf 144bn this year, and about FFf 40bn in tax cuts.

Even with the level of budget savings he is seeking, the targets will be hard to achieve—hence the growing belief that some of the tax cuts will be sacrificed.

Mr Chirac's instructions were contained in the traditional letter sent to ministries as the first step in drawing up the annual budget.

The Prime Minister has called for a 1.5 per cent cut in the number of public employees.

## OVERSEAS NEWS

### Fatah fighters return to Lebanon

By Andrew Whitley in Amman

THOUSANDS of Palestinian fighters are being sent back into Lebanon by Fatah, the predominant group in the Palestinian Liberation Organisation (PLO) nearly four years after their bloody expulsion from Beirut by the Israelis, a senior Fatah official said in Amman at the weekend.

Mr Khalil al-Wazir, known as Abu Jihad, head of Fatah's military command, said his organisation's fighters were being encouraged to return from their scattered places of exile to defend the Palestinian refugee camps in Lebanon.

Israeli military officials have been reporting for weeks that

they have detected a significant increase in Palestinian guerrilla activity in southern Lebanon, directed against their self-proclaimed security zone in the border region.

Other senior PLO members here confirm that a tacit alliance of considerable potential importance is shaping up in southern Lebanon between the PLO and Hizbullah, the Iranian backed radical Shi'ite group. Hizbullah has made a determined effort in recent months to expand its presence and influence in the Israeli border region.

According to Mr Mohammed Mihem, a member of the PLO's executive committee, the link

up with the Iranian backed group, which has been involved in many terrorist incidents, stemmed from the daily clashes he said have been taking place between PLO guerrillas and members of Amal, the dominant Shi'ite militia group in southern Lebanon. Mr Mihem accused Amal of having reached secret agreements with Israel. "Any faction which fights us in Lebanon is carrying out the plans and achieving the goals of Israel," he said.

The unlikely looking marriage of convenience between the PLO and Hizbullah is likely to have been one of the topics discussed by President Hafez al-Assad of Syria and King

Hussein of Jordan at their two-day meeting here last week. Both countries are thought to be watching the alignment with some concern.

Since King Hussein's public break with Mr Yasser Arafat, the PLO leader, in February, Western diplomats say increasing—though still low-level—pressure has been exerted on the PLO presence in Jordan.

In the latest of a string of incidents, five Fatah members were arrested last Thursday for the illegal detention of a Palestinian woman, they suspected of being an Israeli spy. Among them was a personal security officer of Mr Arafat.

### Jordan acts over money exchanger collapse

By Rami Khouri in Amman

THE central bank of Jordan and the Jordanian financial community have reacted swiftly to the collapse last week of Jordan's second largest money exchanger, Saliba and Rizk Shukri Rizk, after the suicide on Thursday of Mr Saliba Rizk.

The Rizk company collapsed last week with total liabilities estimated at around Dinars 18m (£33.7m). On the central banks instruction, the company has appointed auditors to review its assets and to assess its ability to meet outstanding debts.

Foreign banks and foreign exchange houses abroad are owed Dinars 2.6m while about Dinars 9m is due to local depositors and another Dinars 3m-4m is in the form of floating checks and remittances in transit.

The collapse of the Rizk, Jordan's second largest money changer and a highly respected company with over half a century of experience in the area, will not affect the Jordanian banking system.

Dr Maher Shukri, central bank of Jordan's deputy governor, said yesterday: "The company's loans from banks are fully covered by securities and collateral whose value exceeds the Rizk's indebtedness to banks."

### Libyans face further clampdown in Spain

By David White in Madrid

A FURTHER clampdown on Libyan activities in Spain is expected following the arrest of an alleged terrorist ring said to have received Libyan support for attacking US interests.

However, the Spanish Foreign Ministry said yesterday that Madrid did not intend to break its relations with Tripoli.

The arrests were disclosed at the weekend shortly after the detention of a Spanish army colonel and the expulsion of a Libyan diplomat over an

alleged plan to obtain Libyan backing for an extreme right-wing group in Spain.

The new arrests involve four Spaniards, a Portuguese, three Lebanese, a Jordanian and a Syrian. They are accused of belonging to a Lebanese-based anti-Zionist group, the Call of Jesus Christ, and of involvement in a terrorist attack against Air France's offices in Lisbon last month and the attempted bombing of Bank of America's branch in Madrid on May 2.

Two of the accused, one Spaniard and the Portuguese member of the ring, who were arrested after the hitherto undisclosed Bank of America bombing attempt, are reported to have told police they were promised that they would be paid \$70,000 from Libyan officials for participating in the Lisbon and Madrid attacks.

Spanish newspapers quoted police sources as saying they had proof that the terrorists received financial support and

material from Libyan citizens, some of them connected with the Libyan People's Bureau in Madrid.

The Lebanese group is said to have links with several far right organisations in Latin America, including the notorious Argentine Anti-Communist Alliance (AAA).

Madrid has expelled 15 Libyan citizens since the beginning of the year, including three accredited diplomats and several other employees of the People's Bureau.

### Ecuador set to sign \$150m Treasury loan

By Peter Montagnon, Economist Correspondent

ECUADOR is expected this week to sign up for a \$150m (£97.4m) short term loan from the US Treasury as part of a funding programme designed to offset a shortfall in export receipts caused by plunging oil prices.

Government officials in Quito have said that the country will need about \$400m in extra loans to "plug the gap" in the country's balance-of-payments caused by the fall in oil prices from an average \$22 per barrel last year to around \$15.

Among other borrowings Ecuador is expected to seek a \$200m oil trade finance facility, to be arranged on a semi-voluntary basis from bank creditors, as well as a \$150m credit financed jointly by commercial banks and the World Bank.

Bankers said there is considerable sympathy for Ecuador which has taken rigorous measures to curb its budget

### US economy 'hurt' by Latin American policy

By Nancy Dunne in Washington

REAGAN Administration policies towards the Latin American debtor nations have assisted US banks while sacrificing the interests of the US economy as a whole, according to a new study released by the bipartisan congressional joint economic committee.

The study, which is bound to appeal to populist forces in this election year, is also highly critical of the Baker plan, which it said would simply transfer more funds to the indebted nations to be used for interest payments.

According to the committee, the Administration's programme has prevented a collapse of US banks so that profits and bank stocks have risen in the last four years. Farmers and manufacturers, however, have lost many of their Latin American markets as the debtors reduced their imports.

### Peru top military warned of terrorist attack threat

By Doreen Gillespie in Lima

SENIOR military personnel in Peru have been warned by the Ministry of War that they have become potential targets for terrorist acts by Sendero Luminoso (Shining Path), the Maoist guerrilla group. The warning follows the shooting on Sunday in Lima of a rear admiral in the Peruvian navy's high command.

Rear Admiral Carlos Ponce was assassinated by four people using machine pistols and hand grenades. He was the highest ranking member of the military to have been killed by the

guerrillas who began their insurgency in the Ayacucho region of south-central Peru in 1980.

In the past three months the security forces have stepped up their efforts to curb the rise in urban guerrilla violence which corresponded with greater control by government troops over rural areas where Sendero Luminoso operates. In February, President Alan Garcia declared a state of emergency in Lima and since then 58,111 people have been rounded up and four shot dead for curfew violations.

### Brazil promises to spare Africa's coffee markets

BRAZIL, the world's biggest coffee producer, has promised to control sales of the commodity to avoid threatening Africa's traditional markets, according to the president of the Brazilian Coffee Institute (IBC).

Mr Paulo Graciano said that most of Brazil's output of robusta coffee would stay within the country this year. He was speaking after two days of talks with officials from Ivory Coast, Africa's leading coffee exporter.

Brazil is better known as an exporter of arabica coffee beans, which are milder than robusta. But it has recently stepped up output of "conillon" (secondary robusta) beans, sparking fears among African producers that they could be squeezed out of their traditional consuming markets.

Many west and central African countries depend on robusta coffee for a large part of their export income.

Out of an expected 1986 robusta coffee crop of around four million 60-kg bags, Brazil would export a maximum of one million, Mr Graciano said. Some 2.5m bags would be consumed at home and used in the local soluble coffee industry.

Last year Brazil exported around 1.7m bags of robusta coffee.

Mr Graciano said African fears were misplaced. "I tried to reassure Ivory Coast about our intentions,"

he said after meeting President Felix Houphouët-Boigny, Agriculture Minister Mr Denis Bra Kanon and the director-general of the country's commodities marketing board, Mr Norbert Kouakou.

Ivory Coast is expected to produce around five million bags of solely robusta beans during the 1985-86 international coffee marketing year.

Mr Graciano said the two countries agreed to take concerted action to cut the unusually large differential, now about 80 cents per pound, between the world price for arabica beans and the cheaper robusta.

A recent severe drought in Brazil's main arabica growing areas is expected to cut the country's total coffee output by more than half this year compared with 1985. This has led to a sharp rise in all world coffee prices but has widened the differential in favour of arabica.

A statement signed by Mr Bra Kanon and Mr Graciano said the two exporters would avoid any action which would depress prices for both coffee types but would also aim to "reduce the differential the level of which, according to an in-depth analysis, does not seem fully justified."

Brazilian conillon marketing would be undertaken "without compromising the normal sale of African robusta," it added. *Reuters*

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51	5156	10285	15817	20625	24975	29575	34687	39713	44120	48899	53569	58358	63186	68076	72916	77836	82726	87686	92596
56	5158	10287	15819	20627	24977	29577	34689	39715	44122	48901	53571	58360	63188	68078	72918	77838	82728	87688	92598
61	5160	10289	15821	20629	24979	29579	34691	39717	44124	48903	53573	58362	63190	68080	72920	77840	82730	87690	92600
66	5162	10291	15823	20631	24981	29581	34693	39719	44126	48905	53575	58364	63192	68082	72922	77842	82732	87692	92602
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81	5168	10297	15829	20637	24987	29587	34699	39725	44132	48911	53581	58370	63198	68088	72928	77848	82738	87698	92608
86	5170	10299	15831	20639	24989	29589	34701	39727	44134	48913	53583	58372	63200	68090	72930	77850	82740	87700	92610
91	5172	10301	15833	20641	24991	29591	34703	39729	44136	48915	53585	58374	63202	68092	72932	77852	82742	87702	92612
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176	5206	10335	15867	20675	25025	29625	34737	39763	44170	48949	53619	58408	63236	68126	72966	77886	82776	87736	92646
181	5208	10337	15869	20677	25027	29627	34739	39765	44172	48951	53621	58410	63238	68128	72968	77888	82778	87738	92648
186	5210	10339	15871	20679	25029	29629	34741	39767	44174	48953	53623	58412	63240	68130	72970	77890	82780	87740	92650
191	5212	10341	15873	20681	25031	29631	34743	39769	44176	48955	53625	58414	63242	68132	72972	77892	82782	87742	92652
196	5214	10343	15875	20683	25033	29633	34745	39771	44178	48957	53627	58416	63244	68134	72974	77894	82784	87744	92654
201	5216	10345	15877	20685	25035	29635	34747	39773	44180	48959	53629	58418	63246	68136	72976	77896	82786	87746	92656
206	5218	10347	15879	20687	25037	29637	34749	39775	44182	48961	53631	58420	63248	68138	72978	77898	82788	87748	92658
211	5220	10349	15881	20689	25039	29639	34751	39777	44184	48963	53633	58422	63250	68140	72980	77900	82790	87750	92660
216	5222	10351	15883	20691	25041	29641	34753	39779	44186	48965	53635	58424	63252	68142	72982	77902	82792	87752	92662
221	5224	10353	15885	20693	25043	29643	34755	39781	44188	48967	53637	58426	63254	68144	72984	77904	82794	87754	92664
226	5226	10355	15887	20695	25045	29645	34757	39783	44190	48969	53639	58428	63256	68146	72986	77906	82796	87756	92666
231	5228	10357	15889	20697	25047	29647	34759	39785	44192	48971	53641	58430	63258	68148	72988	77908	82798	87758	92668
236	5230	10359	15891	20699	25049	29649	34761	39787	44194	48973	53643	58432	63260	68150	72990	77910	82800	87760	92670
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256	5238	10367	15899	20707	25057	29657	34769	39795	44202	48981	53651	58440	63268	68158	72998	77918	82808	87768	92678
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266	5242	10371	15903	20711	25061	29661	34773	39799	44206	48985	53655	58444	63272	68162	73002	77922	82812	87772	92682
271	5244	10373	15905	20713	25063	29663	34775	39801	44208	48987	53657	58446	63274	68164	73004	77924	82814	87774	92684
276	5246	10375	15907	20715	25065	29665	34777	39803	44210	48989	53659	58448	63276	68166	73006	77926	82816	87776	92686
281	5248	10377	15909	20717	25067	29667	34779	39805	44212	48991	53661	58450	63278	68168	73008	77928	82818	87778	92688
286	5250	10379	15911	20719	25069	29669	34781	39807	44214	48993	53663	58452	63280	68170	73010	77930	82820	87780	92690
291	5252	10381	15913	20721	25071	29671	34783	39809	44216	48995	53665	58454	63282	68172	73012	77932	82822	87782	92692
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306	5258	10387	15919	20727	25077	29677	34789	39815	44222	49001	53671	58460	63288	68178	73018	77938	82828	87788	92698
311	5260	10389	15921	20729	25079	29679	34791	39817	44224	49003	53673	58462	63290	68180	73020	77940	82830	87790	92700
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321	5264	10393	15925	20733	25083	29683	34795	39821	44228	49007	53677	58466	63294	68184	73024	77944	82834	87794	92704
326	5266	10395	15927	20735	25085	29685	34797	39823	44230	49009	53679	58468	63296	68186	73026				

## EEC likely to oppose Japanese television norm

BY DAVID MARSH IN PARIS

THE European Community has served notice that it intends to oppose US and Japanese demands for the quick introduction of a single world standard for high definition television (HDTV).

The issue, which many European consumer electronics companies believe is of vital importance for the future of an important market, is due to be discussed at a meeting of television engineering experts from more than 70 countries at Dubrovnik in Yugoslavia later this month.

Delegates from the 12 EEC members meeting in Brussels last week at the initiative of the European Commission reached unanimous agreement that it was premature to choose the Japanese norm for 1125-line 60 hertz television for high quality programmes in the 1990s.

In an unusual display of harmony, the US and Japanese Governments have joined forces in pushing for the norm to be chosen at the plenary session of the International Radio Consultative Committee (CCIR) in Dubrovnik.

EEC countries believe that introducing a Japanese norm for the production of programmes before separate standards have been worked out for transmission and reception of HDTV risks giving Japan a considerable competitive advantage.

Last week's Brussels meeting adopted a British recommendation that the matter should be studied for at least two years before a decision be taken. Mr Jean Caillat, general manager of the international division of France's Thomson electronics group, who led a delegation of European industry representatives in talks with the US and Japanese in Tokyo on May 6 and 7, said the meeting had been "tough".

Japanese companies pushing the standard developed by the Japanese Broadcasting Corporation (NHK) however received a "cold shower" when they realised European companies had not come to Tokyo just to sign up licenses, he said.

French diplomatic contacts suggest that much of Africa, the East bloc, South Korea, China, Malaysia as well as various Middle East countries like Lebanon, Iraq and Syria are lining up on the EEC side.

The US/Japanese proposals—which are being strongly canvassed by CBS, one of the big three US television networks—have been supported by Canada and much of Latin America. Quebec, not surprisingly, is on France's side, according to French officials.

## Australia awards helicopter contracts

By Patricia Newby in Melbourne

AUSTRALIA has awarded two helicopter contracts worth A\$500m (2250m) to Sikorsky of the US in face of strong competition from Aerospatiale of France.

Mr Kim Beazley, the defence minister, argued in federal cabinet for the Sikorsky helicopters on technical military capability against a strong case put by the Aerospatiale tender, Senator John Burton, that Aerospatiale's tender would provide greater benefit to Australian manufacturers through offsets and technology transfers.

The bigger of the two contracts, for 14 Sikorsky 60A multi-mission Black Hawks for the Royal Australian Air Force (RAAF), is worth around A\$300m. The Black Hawks will replace the RAAF fleet of "Huey" helicopters.

The plan is to increase the Black Hawk fleet to 48, but if the recommendations of a recent report to Government on defence capabilities is accepted, up to 100 more machines could be bought.

The second contract, worth A\$200m, is for eight helicopters to add to the Royal Australian Navy (RAN) fleet of Sikorsky Sea Hawks.

## China lures UK games machine makers

BY MIKE SMITH

CHAIRMAN MAO would not have been amused, but British games machine companies think they could be in a winner in China.

In the days before the People's Republic opened its doors to western industry and culture, the use of video machines, pool tables and remote-controlled model cars would have been unthinkable.

Today there are more than a dozen amusement parks either being planned, under construction or completed in China. The

rapid growth in the number of hotels is also fuelling demand. British companies have already gained a foothold in the market. For example, Eurotron, maker of products including Go-Karts and bumper balls, has sold 100,000 in equipment, and Tornado Products, which makes remote controlled model cars and boats, has won £50,000 of business.

These sums are tiny by international trade standards, but the market is still in its infancy and both companies have been operating in China for less than two years.

Mr Alan Willis, general secretary of the British Amusement Catering Trade Association (Bacta), says the potential is enormous. "China has 1.1bn people, many of them crowded into small areas with high densities of population," he says. "Since the end of the cultural revolution an increasing emphasis has been placed on leisure."

The enthusiasm of the Chinese for amusement machines was demonstrated last month in Peking when 30,000 people attended the first China Amusement Exhibition.

Kentucky Derby, one of 12 British companies represented, had more than 14,000 people play its model horse racing game and, at one stage, the exhibition stand fell down because of the weight of the people pressing against it. "The police were queuing up before the show opened in the mornings, and the chief of police had difficulty getting them on duty for the opening," says Mr Stuart Keane, sales director.

Turning consumer interest into sales, however, will be difficult for all exhibitors, especially in view of the recent

tightening of controls on foreign exchange spending. One reason the Chinese authorities are promoting amusement parks is that they want to boost tourism earnings. For the moment it is precisely the lack of hard currency which is holding back development of leisure services.

"It is early days yet, and the Chinese are not going to rush into anything while they have so many other priorities," says Mr Willis, "but some money is already available," and the amounts will grow.

## Export finance scheme launched Baker 'confident' AMC venture will not collapse

BY ALAN SPENCE

EXFINCO, a specialist UK export finance house, has launched a new scheme which may help UK companies win orders in China.

It involves involving Chinese buyers in remittance, the non-convertible local currency, while paying up to 90 per cent of the value of contract in sterling to the UK supplier in evidence of shipment.

Exfinco is prepared to guarantee a fixed sterling-remittance exchange rate at the time an order is placed far up to 12 months prior to the shipment date. This rate also applies to the payment of the remaining 10 per cent of the order value. This is made on a date after shipment, which

represents the average time taken by the Chinese to settle invoices with the company, or on a preset date in the case of a new exporter to China.

The scheme confers a major cashflow advantage on the UK exporter, according to Mr Roger Pitcher, Exfinco's chief executive and company's

should be better placed to gain business in China as they are able to pass on the exchange rate guarantee to the buyer. This could mean that a Chinese importer will know its remittance outlay on the contract perhaps up to 18 months in advance—a period which comprises the maximum pre-shipment rate fix period, coupled with 180 days credit on the sale.

Equally advantageous, the Bank of China knows for a similar period the amount of sterling it has to produce to settle the importer's account.

The disadvantage of the scheme to the exporter is that the remittance-sterling rate may become more favourable to the UK supplier after the company has already locked-in its return many months ahead.

The cost of the scheme to exporters is expressed as a margin over the Exfinco base rate, which reflects the average base rates of the major banks.

The company was set up in April, 1985, initially financed by a £100m syndicated loan and acceptance facility.

Mr James Baker, US Treasury Secretary, says he is confident an ailing American Motors Corporation (AMC) joint venture, seen by foreign businessmen as a touchstone of investment in China, would not collapse. Reuter reports from Peking.

Mr Baker, speaking at the weekend at the end of a three-day visit to Peking for economic talks, went on to warn China that American investors were growing restless over roadblocks to their projects.

A \$10m cash problem at the Beijing Jeep Corporation, more than one-third owned by AMC, has prompted wide concern here

that a shut-down might be imminent. "I feel confident there will ultimately be a resolution of the problem," Mr Baker said, citing the fact that Zhan Ziyang, the Chinese premier, had raised the issue in talks with him.

US officials said Mr Baker personally intervened in talks with Chinese officials over the fate of Beijing Jeep, which said earlier this month it planned to halt production of its Cherokee Jeeps for at least two months from mid-June.

It blamed a shortage of foreign currency. It is understood that Chinese concerns involved in the project to make Jeeps from kits were short of fresh orders and hard cash.

ADVERTISEMENT

## AT&T joint venture wins \$100m telecom deal

BY LAURA RAUN IN AMSTERDAM

AT&T and Philips, the US-Dutch telecommunications joint venture has received a six-year order from AT&T in the US for communications network multiplexers that could be worth \$100m.

This would make it the second largest order received by the 30 month old joint venture group. AT&T received a £11m (2250m) five year contract from the Dutch telecommunications agency last year to modernise its entire network.

The order from AT&T which

begins next year, is for 80,000 multiplexers in the first year and more later on, depending on the speed of installation of an integrated services digital network (ISDN) in the US. The multiplexer allows simultaneous transmission of voice, pictures and data over the ISDN and uses a sophisticated microchip developed jointly by AT&T and Philips.

AT&T-Philips still hopes for a major contract from France, perhaps in the next month, according to the company.

## SHIPPING REPORT

### Tough times ahead for dry cargo ship owners

BY ANDREW FISHER, SHIPPING CORRESPONDENT

OWNERS OF dry cargo ships are in for a tough few months after the absence this March and April of the usual seasonal upturn, London shipbrokers said.

Last week saw a slight firming of rates on some routes, for Panamax vessels of 60,000-deadweight tons and able to pass through the Panama Canal, though the market for handy-size ships of 20,000 dwt remained dull, said Denholm Coates.

The improved tone in the

tanker market continued last week as well, but continued low oil prices, Galbraith's said there had been more business for VLCCs (very large crude carriers) than for some weeks.

The rate for VLCC voyages from the Gulf to the West however remained below Worldscale 30.

A continued upturn in the tanker market is likely to persuade owners of combination carriers, able to carry both wet and dry bulk cargoes, to switch these to oil trading, brokers noted.

## World Economic Indicators

	INDUSTRIAL PRODUCTION (1980 = 100)				% change over previous year
	Mar. 86	Feb. 86	Jan. 86	Mar. 85	
US	115.2	115.7	116.6	114.2	+0.9
UK	116.1	108.3	107.6	105.7	+4.2
W. Germany	106.9	106.2	103.5	102.5	+4.3
France	102.0	101.0	101.4	100.1	+1.9
Italy	98.7	97.9	97.4	98.3	+0.4
Netherlands	101.5	100.4	100.8	100.2	+0.2
Japan	121.3	122.0	121.3	120.4	+0.8

Source (except US): Eurostat

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## MARUBENI: Trading with New Media and Services

Marubeni, one of Japan's largest general trading firms, does business in a wide range of commodities and services. But more than just a trading company, it acts as a partner with manufacturing, processing, and service firms worldwide. It is a resource developer, a market shaper, and a recorder and analyst of thousands of the world's industries and businesses. Marubeni is also an R&D specialist in dozens of promising new "sunrise" industries and has taken a leading position in the field of innovative electronic data services.

Reflecting the growth of world trade in 1984, Marubeni posted an overall 14 per cent increase in turnover amounting to ¥13.7 trillion during fiscal 1985. As Japan's economy "softens" from commodities to services, trading firms will have to make this transition as well. Learning to trade in soft as well as hard products will spell the difference to future success.

President Kazuo Haruna believes that the key to effective corporate management lies in quickly grasping and properly adjusting to the rapidly changing conditions of industries in every sector. In an interview with Glenn Davis, he explains how Marubeni has been contributing to the growth of international business.

By Glenn Davis



Mr. Kazuo Haruna President Marubeni Corporation

Davis: Japanese trading companies and other concerns are now making earnest efforts to expand imports. What measures are you taking in this situation?

Haruna: We are working to strengthen our domestic trade infrastructure on a major scale to expand sales at home, with a company target of an additional one trillion yen this year. For example, we have set up a unique new customer-oriented, horizontal sales branch called "Kanto Shiten", which seems to be the first of its kind in the Japanese market. Seeking new ways to expand the import business, our company has set up an "Internal Import Committee" which has sent purchasing missions abroad five times; the last one being dispatched to Europe and America last October. That mission came back with such purchases as an automatic glass lathe from Litton Industries, an aseptic filling machine and many others. Our import committee is coordinating its activities with special task forces which have been established in New York and London. The Japanese market features price competition and also excellent production and after-sales networks. For example, Marubeni subsidiaries and joint venture companies handle the import of such products as Teacher's Whisky and Rothman's Tobacco from Great Britain, Blizzard Skis from Austria and Vinyl Mineral Water from France. We also have plans to set up similar import channels within our subsidiary, Marubeni Electronics and Marubeni High Tech. Following such efforts, we expect imports to increase accordingly.

### British Trade

Davis: How has the G-5 agreement and its aftermath affected your company's trade relations with Great Britain?

Haruna: The G-5 agreement has had little effect upon Great Britain. I would rather say that a bigger influence has come from the falling price of oil. Crude oil from the North Sea has dropped below 10 US dollars per barrel so that profit will also decrease. However, there is no other major impact. To the contrary, the dropping price of oil will cause British exports to increase, as cheaper oil prices stimulate continental economies such as West Germany and France. Mr. Taiichiro Matsuo, chairman of our board of directors, has been working for ten years as a chairman of the British Market Council, which endeavours to strengthen the relationship between Great Britain and Japan. Meanwhile, we still maintain six joint ventures in Great Britain, in VTRs, colour TVs, textile

machine, bulldozers, tractors and finance. However, after the G-5 agreement, the yen's sharp appreciation made market competition stiffer. Besides the whisky and tobacco ventures in Japan, we have worked out a chicken (broiler) processing system which uses Tarnabury Development's "chicken harvesting" machine for picking up broilers quickly. Chickens are also imported from Britain and raised in Japan. This import has been continuing for more than 20 years and this route alone accounts for 9 per cent of the entire Japanese broiler market. Marubeni also exports British gas-turbine generators to Australia's Channel Island in an off shore trade arrangement for John Brown Engineering. The total value of this project alone has reached 75 million Australian dollars. Yet another venture, Marubeni International Finance, was established in London in 1984 and is likely to play an important role in this age of the strengthened yen.

Davis: What is the role of Marubeni in technology transfer to various countries of the world? Is this a new role?

Haruna: A trading company possesses little technology, so we concentrate on transferring management know-how. But I believe that technology transfer will play an increasingly important role in the future, as Japan's overseas production expands and as industrial structures are adjusted to the new economic conditions.

Last year, our company exported diesel locomotives to Pakistan. We also exported production know-how. This transfer was important because Pakistan plans to develop their own local industrial production of diesel locomotives starting in 1988.

Davis: Trading companies in Japan seem to be moving rapidly toward adopting the "new media", meaning VANS in most cases. Could

you exploit your company's position in this new field?

Haruna: We established our Information Business Division back in 1982 and then set up 12 new subsidiaries in this field, including such services as networking, voice mail, time sharing and software development. Network Service Co., and Ryusui Joho Service Co., are full-fledged VAN networks which have been setting up a complete networking infrastructure ever since. International Timeshare Co., a joint venture with McDonnell Douglas, Japan, Voice Mail Co., and others provide value-added information for our customers. Marubeni also maintains ties with RCA and Sony in the satellite industry. Marubeni's wide involvement in the new media sets it apart from Japan's other general trading companies.

### Expanding Countertrade

Davis: Japanese trading companies seem much more adept at using countertrade than foreign companies. Can you give me your opinions on its pros and cons?

Haruna: Most cases involve either socialist countries, the underdeveloped or the developing countries. For example, we have swapped raw cotton and oranges for construction machines in Greece, and finished products for petroleum in Iraq, Algeria and other countries. In 1985, we established a counterpurchase team within the International Department to coordinate worldwide policy in relation to using this technique.

Counterpurchase takes place most frequently in East Europe and the Middle East, where the total contract value of such deals has surpassed 2 billion US dollars. Such purchases were fewer in the Soviet Union and China, but are expected to grow rapidly in the future.

Counterpurchase requires a long lead time for all parties concerned to reach a consensus, because the wide range of commodities must be matched with a large variety of customers not only in Japan, but in other countries as well. Most companies don't have the means to make such matches, but since we are a trading company, it is our specialty.

Davis: Japanese companies are breaking away from traditional relationships with banks to raise funds abroad. What about Marubeni's moves in international finance?

Haruna: It's true that Japanese companies have discovered *zaitch*, making money with money, and are breaking away from bank loans; but it is also true that there is a worldwide money glut. Like real estate, the more stocks and securities that are sold, the more wealth is generated. Marubeni, however, is not playing these money games. We raise money abroad because funding costs are lower by utilising various *zaitch* methods.

Our overseas subsidiaries, Marubeni America Corporation, Marubeni International Finance PLC and Marubeni Panama International SA, currently possess commercial paper facilities totaling 415 million US dollars, although CP issues are still not possible in Japan. As a matter of fact, we plan to create a commercial paper facility of 300 million US dollars for Marubeni UK PLC, Marubeni International PLC and Marubeni America Corp. in the European market this year. Although Japanese liberalisation moves lag behind their Western counterparts, we are trying to reduce our costs by diversifying rapidly in international finance, taking advantage of the drift toward securitisation of world markets.

Davis: What about your moves into such new areas as leisure and entertainment?

Haruna: We have diversified rapidly into these areas in past few years. A Corporate Development Department established in 1983 plays a main role in such areas as hi-tech, biotech, new services and information industries. For example, we have finished laying cable TV lines in Tokyo and Nagoya and we established an auto leasing company and a joint venture with Vitel for mineral water and health care systems. Providing management and maintenance services to hospitals may create new demand in Japan. And even producing movies is also included in such new fields. In the biotech area, it is just the right time to import and sell automatic diagnosis systems from the British company I.Q. and digital subtraction angiography equipment from Quantal.

## Marubeni CORPORATION

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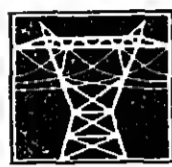
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## UK NEWS

# Market is hungry for skilled labour

HEADING the Situations Vacant columns in the April 11 edition of a South London newspaper were two advertisements placed by small engineering companies - one for an estimator, the other for a plant fitter. Neither was filled.

The first, which did not specify a salary, attracted not a single inquiry. The second, paying £130 a week plus overtime, rising after three months trial, brought in eight responses. None was suitable, although one applicant had the correct skill but not the driving licence which was also specified in the advertisement.

The employers were not particularly surprised - this is London, they say.

But an investigation by the FT around the country suggests that whatever the level of unemployment it remains difficult to get highly skilled people, while the unskilled are in abundant supply.

In between, the availability of semi-skilled workers depends partly on the area and partly on the relative attractions of the black economy. Many workers in areas like the building trade can find and opt for work paid in cash.

Advertisements placed in local papers around the country in the second week of April brought a good response for semi-skilled vacancies, while there were scores of applicants for unskilled vacancies.

An inquiry by FT regional correspondents finds wide variations in employment opportunities according to area and levels of training.

whether in Cardiff or Cardiff, London.

Mr Bryan Hipkiss, works manager at Burcas, a small West Midlands engineering company in Handsworth, had 27 telephone calls in response to his advertisement in the Birmingham Evening Mail a month ago, for two or three fully skilled toolmakers.

He interviewed 21, but the two he took finally will need training. The fully skilled applicants were not interested in £3.50 an hour, when they had been earning £180 a week before being made redundant.

Conversations with other employers advertising that day confirmed that fully skilled workers shied by companies like Lucas and Austin Rover at Castle Bromwich, near Birmingham, opt frequently to remain unemployed rather than take a wage cut, in the hope that something better paid will turn up.

For these people, competition among employers for their skills seems to have changed little from the boom years of the 1950 and 1960s.

Employers in smaller companies in particular are paying the price

for the contraction in training in the engineering sector. One solution to the shortage is to train people. "We don't have the time," said the south London employer, "waiting a fitter."

Sometimes there is no choice. Mr Colin Hornsby, operating in a traditional trade in Birmingham's jewellery quarter, wanted experienced solderers. He got five replies to his advertisement in the same paper last month, none of them suitable, so he will fill the gap by training existing employees.

Instrument engineers were described by Mr Colin Appleby, personnel manager of Mintex Don, as "rare birds." After initial difficulties, he managed to fill the vacancy in the Manchester brake-linings plant following his advertisement in the Manchester Evening News.

But in this area, where a recent Chamber of Commerce survey revealed concern about skill shortages, his worry now centres on finding people with computer skills whom he described as "scarce and expensive."

Turning to semi-skilled vacancies, the regional imbalance in pro-

perity levels and hence demand and supply for labour, began to show through.

In the former area, west of Glasgow, Gordon Lewis, a banking company, knew it would not have much trouble finding a bank machine technician. About 40 men responded to his advertisement in the Glasgow Herald last month, reflecting the surplus of semi-skilled labour in the region, according to Scotland's traditional industries and the industry's spokesman, the Clydeside Association.

In south London, where mechanics are abundant, the problem is that most of them do not want to be trained as computer operators in Chislehurst, "and the training is Peckham, which is not a desirable area for a man/machine last month."

Welsh carpenters, joiners and plasterers responded in droves to Thomas Construction's advertisement in the Western Mail.

Although some might have been testing the immediate effects of the new far-travel which enables them to profitably in the black economy, so have returned applicants.

Highly skilled jobs, however, are scarce of competition, even difficult to fill in all parts of the country. Levels of pay were the most significant factor in determining success in filling such vacancies.

## Opinion poll finds 50% against nuclear energy

BY PETER RIDDELL, POLITICAL EDITOR

HALF the British public, according to an opinion poll, is now opposed to the use of nuclear power to provide electricity, partly as a direct result of the Chernobyl disaster a fortnight ago.

A telephone survey by NOP of 801 people on Friday and Saturday for the Mail on Sunday newspaper showed only 38 per cent favouring the use of nuclear power, compared with 51 per cent arguing for the use of coal and oil to produce electricity. Some 28 per cent of those opposed cited Chernobyl as the reason for their view.

Equally significant is that 71 per cent of the sample rejected the government and nuclear industry claim that such an accident could not happen in Britain. A roughly similar percentage thought the Government should provide more information.

The same poll found that nearly half, 49 per cent of the sample, favoured the retention by Britain of its own nuclear weapons, with 42 per cent against.

In the past, polls have found that around 60 per cent of the public have supported nuclear power, with just over a quarter opposed.

The latest figures are causing concern within the Government. Department of Environment ministers have urged a cautious approach to the future nuclear power programme with a need for greater explanation and persuasion. But both Mrs Margaret Thatcher, the Prime Minister, and Mr Peter Walker, the Energy Secretary, are firmly committed to the expansion of nuclear power.

The Cabinet has already held two discussions on the implications of the Chernobyl accident, and there is concern about the possible electoral significance of a rise in anti-nuclear feeling.

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## Unionists quit talks on Anglo-Irish agreement

BY OUR BELFAST CORRESPONDENT

ULSTER Unionist leaders have pulled out of "talks about talks" which they have started with government officials in the hope of opening negotiations on the Anglo-Irish agreement.

The exploratory discussions founded because of the Unionists' key demand that the agreement should be suspended before negotiations begin.

The Rev Ian Paisley and Mr James Molyneux, leaders respectively of the Democratic Unionist Party and the Official Unionist Party, announced at the weekend they had cancelled a meeting with officials tomorrow and would no longer take part in "a useless exercise which would only raise false hopes and which offered no future."

Their joint statement followed confirmation by Mr Tom King, the Northern Ireland Secretary, after a meeting of the Anglo-Irish inter-governmental conference in London on Friday, that the UK Government would not negotiate, pending the operation of the agreement.

"The Unionist leaders had the purpose of their talks with officials had been to find a framework to ensure that, during negotiations, the inter-governmental conference would not meet and the Anglo-Irish secretariat based at Maryfield, near Belfast, would be closed down," they said. "It has always been our desire to seek consultation rather than confrontation but the Government seems to prefer the opposite course."

The Northern Ireland Office has not yet responded to the statement but it is expected that Mr King will offer the Unionists the opportunity to re-establish contact at any time they choose. The province otherwise faces further uncertainty in the run-up to the climax of the marching season by loyalists.

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## UK NEWS

## Contractors see upturn in civil engineering orders

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

AN UPTURN in civil engineering workloads, with signs of improvement in the level of the industry's activity and contractors' order books increasing in both value and in volume, is reported today by the Federation of Civil Engineering Contractors.

"The industry has been bumping along the bottom but is coming off it now," says Mr Derek Gaultier, the federation's director general.

"I wouldn't say we're more optimistic exactly, but we're certainly less pessimistic. I'm able to express a sort of modified rapture now - and it is years since I've felt like saying that."

The federation's April 1988 workload survey shows that the number of companies with civil engineering work on their books has risen to 92

per cent and the number with none has fallen to 8 per cent.

"The percentage of firms without civil engineering work is the lowest for more than two years," says Mr Gaultier.

An upturn in public sector contracts - partly as a result of the industry's lobbying for more spending on the infrastructure - is partly responsible for the improvement. Another factor is the boom in industrial and commercial building.

Although 90 per cent of civil engineering depends on public-sector contracts, the surge in building of offices, shops and factories has meant associated work on roads, foundations and structural frameworks.

The strongest improvement in workload has been among the largest companies - those employing more than 1,000 people. These have

organised themselves to obtain the smaller contracts which used to be the province of the still hard-pressed medium-sized contractors.

All the large contractors have civil engineering work on their books, compared with 88 per cent of the medium-sized contractors. Twenty-two per cent of the large contractors report that their order books are better than six months ago, compared with 14 per cent of the medium-sized companies.

The Building Employers Confederation has also reported an upturn in workloads. Thirty per cent of companies questioned by the confederation had received an increased level of inquiries for work and 46 per cent were expecting workloads in 1988 to be better than in 1985.

## New law on data protection ignored

By Richard Evans

MORE THAN two-thirds of the organisations, companies and individuals in the UK who use computers for storing personal information are today breaking the law.

This startling information was confirmed at the weekend by Data Protection officials who have received fewer than 100,000 applications from those liable to register under the UK's 1984 Data Protection Act.

The deadline for registration by the 300,000 or more computer users to come within the terms of the complex legislation was yesterday.

Technically those who have not registered details of all the personal data on their computers are liable to fines of £2,000 by magistrates' courts and unlimited sums by higher courts.

In practice, there is certain to be a leeway of several months to allow those who remain unaware of their responsibilities to comply with the law. The act requires everyone to register if they hold computer data on individuals, unless it is purely for payroll purposes. Among other limited exemptions are police records and matters affecting national security.

The Data Protection Register based at Wiltshire in north-west England has run a series of campaigns to publicise the requirements of the Act, but these have clearly been insufficient.

By the end of last month fewer than 50,000 had registered, and by last Friday 90,000 applications had been received.

Mr Eric Howe, the Data Protection Registrar, said there were now over 50 mailbags coming in each day as well as 1,000 telephone calls seeking information. In addition, over 500,000 registration packs had been taken from post offices.

The twin aims of the legislation are to establish a series of safeguards designed to protect individuals about whom information is held on computer and to enable the UK to ratify the Council of Europe convention on data protection in order to protect Britain's trading interests.

But the Act has come in for criticism because of its complexity and the expense involved, particularly by large companies, in complying with all its requirements.

## Industrial spending 'to rise 3%'

BY WALTER ELLIS

THE RATE of increase in manufacturing investment in the UK will fall sharply this year to just 2 per cent, compared with 8 per cent last year and 15 per cent in 1984, according to economic adviser Staniland Hall.

Fixed-capital spending throughout industry, however, is forecast to continue its growth, from last year's 0.9 per cent to 3 per cent this year and 3.8 per cent in 1987.

Staniland Hall, one of the first forecasting agencies, looks towards a fall in bank base rates to 9 per cent by the end of this year, with a further reduction to 7½ per cent by the middle of 1987.

National Westminster Bank, which issued its forecasts last week, agrees with the 9 per cent figure for this year but expects rates of between 6½ per cent and 8½ per cent in 1987.

Materials and fuel costs to industry in Britain are forecast by Staniland Hall to be 5 per cent lower on average this year than last. Unit labour costs, they say, will continue to rise at 4 per cent to 5 per cent, but UK inflation should fall to only 3 per cent this summer and show little upward trend before the end of next year.

In 1987, according to the forecast, there will be a slightly faster

growth in real personal disposable incomes, "reflecting assumed tax cuts appreciably more than the £2bn 'fiscal adjustment' allowed for in the official 1987-88 projections."

On savings, Staniland estimates an increase during the first quarter of this year. With some tax cuts, a decline in the level of inflation and house mortgage rates down, they expect the savings ratio to ease gradually over the next 12 months.

This would mean an associated rise in consumer spending beyond the expected increase in disposable incomes. Volume increases in savings of 3½ per cent are forecast for this year and 1987.

## BCal dismisses merger 'speculation'

BY LIONEL BARBER

SIR ADAM THOMSON, chairman of British Caledonian (BCal), yesterday dismissed as speculation a weekend report that the privately owned airline was holding merger talks with International Leisure, the Intasun holidays and hotels group.

Sir Adam said he had little to add to previous statements from the two companies that they were discussing collaboration in the use of short and medium-haul aircraft in Europe, both on charter and sched-

uled services. There is no certainty whatsoever that anything at all would come from the talks, he said.

Over the past three weeks the UK travel industry has been alive with rumours about the nature and extent of BCal's discussions with International Leisure (ILG), whose chairman is Mr Harry Goodman.

ILG's charter airline subsidiary, Air Europe, has recently been granted scheduled routes from Gatwick, London to Palma, Barcelona and Gibraltar. Last September it

announced it was buying four Boeing 737-300 aircraft for about \$100m. It is to sell one Boeing 737-200.

BCal, an established scheduled carrier operating from Gatwick, also operates a tour company, Jet-Save. It is shortly to dispose of two A310 aircraft and is contracted to buy seven A320 aircraft from Airbus Industrie.

Last December, BCal postponed indefinitely plans for a stock market flotation.

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## Channel tunnel loan timetable faces delays

BY ANDREW TAYLOR

PLANS by the Anglo-French Channel tunnel consortium to conclude important loan agreements by the middle of this month have been delayed by several weeks.

The consortium is also awaiting the outcome of UK parliamentary moves which could slow the passage of the Channel Tunnel Bill and delay the start of construction next year.

The Channel Tunnel Group, now called Eurotunnel, had been hoping to sign a loan memorandum laying down the terms for development loans totalling about £5bn by the middle of May. The memorandum will cover more than 35 international banks, including about 12 from Japan.

Eurotunnel now expects to sign an understanding with 15 of the largest banks by early next month. These will then recommend acceptance to the other 20 or so banks.

The slight slippage in the timetable is not causing concern. It has arisen because of the immense amount of paperwork that has to be completed for an agreement of this scale and complexity, the group says.

A £150m share placing between

British and French institutions planned for next month is now expected to take place in July. Eurotunnel is holding discussions with the London Stock Exchange about the timing of the share issue.

A further share issue to raise about £850m is planned for the middle of next year, with possibly around £600m on sale to the public in Britain and France.

The hold-up in the Channel Tunnel Bill has been caused by the discovery that it is in breach of House of Commons standing orders covering the timetable laid down for private bills. It has now been referred to the Standing Orders Committee, which has the power to force the Government to present the bill afresh.

The more likely outcome, however, is that the committee, which meets shortly, will allow the bill to proceed.

Eurotunnel is organising a series of regional road shows in British cities such as Birmingham, Manchester, Glasgow, Darlington, Cardiff and Bristol to counter criticism that the construction of the tunnel will benefit only the south-east of the country.

## UK NEWS

Andrew Fisher on a privatised yard's need for firm orders

## Swan Hunter faces big job losses

THE KEEL of the last ship in Swan Hunter's order book will be laid in Newcastle upon Tyne this afternoon. Unless HMS Chatham, a frigate, is shortly joined by more orders, heavy redundancies will occur at the newly privatised yard.

The ceremony will thus be viewed by management and workers with a mixture of hope and trepidation, especially after the recent loss to state-owned Harland and Wolff in Belfast of a £130m order for a complex naval support ship.

It desperately needs more orders to prevent up to 2,000 job losses from its 4,500-strong workforce by the end of 1987. But so far, it has received promises rather than contracts from an increasingly cost-conscious Ministry of Defence.

The yard is chasing potential work at home and overseas. "While this is the last keel to be laid for our current order book," said Mr Ken Chapman, marketing director, "we shall do all we can to ensure further orders to follow as quickly as possible."

As with neighbouring merchant yards, still part of nationalised British Shipbuilders, Swan must have more steel work soon to replace its present contracts as these are gradually completed. Two other Type 22 frigates, HMS Sheffield and HMS Coventry, are at the fitting-out stage.

They are berthed stern to stern, following the secret early morning

launch of the Coventry in April, when the management sidestepped the effects of an overtime ban by skilled workers in support of a pay and conditions claim.

Early last year, the yard was promised one of the new Type 23 frigates after another Type 22 order had been given to Cammell Laird - part of Vickers Shipbuilding, just privatised - in recognition of the Merseyside workers' determination to keep operating in the face of picketing.

"This has already been built into our plans," said Mr Peter Vaughan, Swan's finance director, of the promised frigate. "It will not mitigate the numbers of redundancies." Also under construction is the Sir Galahad, an auxiliary landing ship.

Swan managers have not yet spelled out the full consequences of its failure to win the auxiliary other replenishment vessel (AOR) after a bitter contest with Harland, with both sides arguing fiercely for the order.

Most at risk are the 400 jobs of the design team, although the yard intends to see if their skills can be used on non-AOR and possibly non-naval work before cutting jobs in this and other departments.

The yard has warned that up to 1,000 jobs could disappear by the end of this year and a further 1,000 in 1987 without the AOR order. "In

the absence of something material and commercially acceptable, then those redundancies are inevitable," said Mr Vaughan.

If Swan does shed 2,000 people, it will face a redundancy bill of about £12m (£18m). Its institutional shareholders, led by Candoover Investments, the management buy-out specialists, have already made clear their reluctance to meet a bill of this size.

At the worst, therefore, the yard would have to close. But investors, said Mr Vaughan, might put in more money - the cost of the City-backed buy-out was around £5m - "if they were capable of being convinced there was enough work and cash flow to run the business, even on very much of a survival basis."

Swan is not encouraged, though, by the delay in the frigate order. And any export work from India, Asia, or Africa will take time to materialise, even with Swan's reputation as the builder of the Ark Royal and illustrious aircraft carriers and many other naval and merchant ships.

Now that the BS warship yards have been privatised, the naval shipbuilding industry is faced with over-capacity and ever longer delays in the placing of orders. The entry of Harland, a merchant yard, to the market adds to the surplus.

Mr Vaughan said the management of Swan and the other yards were aware of these difficulties ahead of privatisation. But the extra capacity provided by the Belfast yard "could be a bridge too far for the industry as a whole to survive."

Swan has been told by the Government it can tender for the second AOR. But this will be with the Harland design, so Swan will not be able to recoup the design costs. Yet the decision on the second AOR could delay the start of the yard's work.

Mr Vaughan said: "It's a fairly straightforward process."

It is the Newcastle yard, which is the AOR designer, in which its design and construction business were rejected by the Government. Mr Alex Marsh, production director, searched for another yard "disappointed, certainly, but not there's no bitterness."

Through not winning the AOR order, Swan expects its £110m turnover to fall by around 20 per cent a year, unless other work is found quickly. Mr Marsh said the yard was now keeping that order in the offing into non-UK naval work and general engineering.

"We want a removal from single customer domination. The AOR decision reinforces that. But we submitted 'diversification' could not make up for the loss of a big order. It assists, but it doesn't cover the loss of an AOR."

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Metamorphosis of a European laggard

## Corporate Renewal

In the first of a series, Christopher Lorenz discovers how Britain's major computer company has subjected itself to a cultural revolution



Robb Wilmot (left) and Peter Bonfield: chief architects of the company's revival

THE RECALCITRANT executive had been grumbling all week. He really didn't need all this huffing and puffing about "management development." The other 20 people in the classroom might, but he was an old hand. He'd rather be back in his office, getting on with some real work.

As the teaching and discussion progressed, he gradually fell silent. Then he suddenly stood up and began banging his head against the wall. Finally he sat down, muttering harsh words to the effect that "I think I've learnt my lesson."

The reluctant head-banger is a product manager at ICL, which, with sales of £1bn, is Britain's largest computer company. Over the past three years he and nearly 2,000 of his colleagues have been pushed through one of the most ambitious management education programmes ever mounted by a European company in order to improve its competitiveness against rampant American and Japanese rivals.

The teaching had forced the head banger, like most of his colleagues, to reach the painful recognition that his management skills—in this case, the ability to practise market segmentation, product positioning, and other basic marketing techniques—were woefully inadequate.

Along with hundreds of other "Road to Damascus" episodes all over the company, as well as many step-by-step conversions, the event epitomises the remarkably rapid progress towards professionalisation that has occurred within ICL since 1983, when emergency surgery had just snatched it back from the jaws of bankruptcy. At that time "we'd never even used the term market share," says Harvey Dodgson, an ICL manager who has been one of the prime movers of the education drive.

The crash programme of individual and company-wide learning, involving strategic and organisational skills as well as marketing, is still far from complete. But it has already done at least as much as the company's new range of products and systems to give ICL an unexpected chance of prospering in the threatening shadows of IBM, Digital Equipment, and the Japanese computer giants. The revelation two weeks ago of ICL's 33 per cent surge in pre-tax profits to £54m during 1985, and its achievement of a highly respectable 24 per cent return on capital, reflect the first fruits of the campaign. Many of America's leading computer companies turned in a much less satisfactory performance last year.

The old ICL was technology-

led, had a poor grasp of marketing, lacked clear strategies, and consisted of inflexible and loosely-connected departmental and geographic empires organised along traditionally functional lines.

The new animal is in altogether better shape. This is partly thanks to a much-needed panoply of cost reduction, productivity improvement, tighter budgeting and planning, individual performance incentives, decentralised responsibility, and intensive employee com-

**We've shed a lot of our old image of being rather stuffy and inconsistent**

munications—all of which have been introduced over the past five years.

More fundamentally, ICL has also undergone a dramatic change in character. From being a maker of general purpose computer hardware ("boxes," in the industry's jargon) it has become a supplier of specialised systems. As part of this shift, it has begun to focus its attention and resources to much more profitable effect.

Most surprising of all, in the light of the company's past rigidities and indecisiveness, it seems to be developing the sort of organisational flexibility, cohesion and effectiveness which still elude many more sophisticated multinationals (IBM especially excepted), but which is becoming crucial to survival in the fast-moving world of global competition, especially in high technology.

ICL's struggle to create a competitive organisation has been far from easy. As well as requiring charismatic leadership and vision, it has involved considerable frustration and strain for everyone involved. The inner workings of a company undergoing radical change are seldom smooth.

Yet there was little choice but to subject itself to the pain.

"No company without the commitment to build this sort of organisational capability will be around in a European electronics by the end of this decade," warns the youthful and evangelistic Dr Robb Wilmot, the former Texas Instruments high-flyer who became the architect of ICL's rescue and revival, before leaving to establish a pioneering pan-European company, European Silicon Structures (ESS). A company's products and technology are purely transient," says Wilmot. "They're the result of organisational capability. It's this that really differentiates companies from each other. It's IBM's key strength."

Wilmot's conversion to this view, over many fraught months in 1982 and 1983, was his own "Road to Damascus."

From ICL's experience, Wilmot has become convinced that European companies can begin to close the managerial "competence gap" with America and Japan. But it requires an all-out effort. "Continual investment in management development is just as essential as on-going spending on technology," Wilmot argues. "Yet European companies typically invest less than two days a year in management development, compared with two to three weeks in America. This imbalance needs to be addressed."

ICL's own outlay has certainly been heavy. Between mid-1983 and the end of 1984 it spent £3m—a full 10 per cent of its then meagre profits. One of the largest items was an intensive "mind-shift" programme for the company's top 200 managers. After the initial hump of education and training, ICL's annual spend has now settled down at just under £1m.

"It was a huge investment with—at the time—an indefinite payoff," recalls Peter Bonfield, another Texas Instruments alumnus who was Wilmot's closest collaborator in the ICL rescue. In late 1984 he succeeded him as executive chairman following ICL's acquisition by STC, the troubled

British electronics group. (STC's much-publicised problems are having no direct effect on ICL because the computer company is now self-financing, and—so far, at least—the two companies are being managed at extreme arm's length.)

Bonfield is now convinced that the payoff from the education drive has been enormous. "It has played a vital part in changing attitudes and cultures," he says. Though much of the impact on ICL's managerial behaviour has not yet been felt in the outside world, Bonfield says the programme "has already brought about an absolute improvement in our responsiveness to the market-place. We've shed a lot of our old image of being rather stuffy and inconsistent."

Among the fundamental improvements the programme has wrought are:

● A growing realisation right through ICL that "we're a small company living in an IBM world," in the words of Gill Ringland, one of several middle managers brought in from outside by Robb Wilmot who have already risen into the senior ranks.

● The consequent recognition of the need to specialise and focus tightly on narrow market segments where ICL can achieve leadership, and hold it. This includes the most difficult thing of all—being able to decide what not to do. This ability, which many companies lack, is coming to ICL only slowly, to Bonfield's considerable impatience.

● The realisation that there are many different ways to compete and that it was no longer enough to rely purely on beating IBM with technology. Marketing and organisation were even more important.

● The readiness to swallow the company's previous technological pride, and to buy-in products and technology from Japan and elsewhere, or develop them collaboratively.

and/or to collaborate on marketing.

● The creation of a new breed of general manager. ICL's traditional technology-dominated culture and its functional structure meant "there wasn't a single general manager in the place," according to a consultant who knows the company well.

**Our performance is still rather patchy. But we're half there.**

● The creation of a common language and set of marketing, strategic and organisational concepts. This was totally lacking before. "American companies benefit enormously from being able to draw on a large pool of MBA graduates, with a common language and way of doing things," says Warwick Morgan, ICL's director of business planning.

● The ability to respond quickly to change, and also to initiate it. "We're now prepared to change the strategy quickly, and the organisation with it," says Ninian Eadie, one of Wilmot's chief aides in the ICL turnaround. "Two years ago organisational changes stunned the company, and people went into a state of paralysis. Now we're doing them all the time," says Peter Bonfield.

Eadie points to several outward expressions of this new clarity of purpose, and flexibility of tactics. The way ICL has led the European computer industry's campaign for "open standards" of equipment interconnection "would have been impossible in the past," he says. Nor would the other companies have had sufficient respect for ICL to follow its lead.

Bonfield's claim that the marketplace is already starting to appreciate the "new ICL" is one of its allies. "American companies benefit enormously from being able to draw on a large pool of MBA graduates, with a common language and way of doing things," says Warwick Morgan, ICL's director of business planning.

The most obvious example is in retailing, where ICL's share of the mushrooming world market for in-store computer systems is growing fast. In the UK, ICL's market share in electronic point-of-sale systems was tiny in 1983; now it claims to be ahead of IBM and NCR

at number one, with 50 per cent.

By focusing on narrow segments and offering fully-fledged systems with specialised software, ICL is beginning to have success in retail markets as far apart as France and the United States. In 1985 it claimed to have become a US market leader in computer systems for do-it-yourself chain stores—a performance which pulled its American subsidiary out of the red for the first time. This is intended to be just the beginning of a steady shift into other segments.

ICL's own Swedish company, too, has turned the corner thanks to its newly-focused strategy—in its case on part of the finance industry. "Until two years ago we sold to anyone, regardless of who they were—we dissipated our resources," says Hans Tivens, managing director of ICL Sweden.

The improvement in ICL's performance is confirmed by one of its oldest retailing customers, W. H. Smith, Britain's largest chain of newsagents and stationery shops. Two years ago the company was publicly critical of ICL. But

these days it has moved to their side. "ICL's management," says the company's managing director, "is still very much in the process of learning, but they have a very good grasp of what they are doing."

Further evidence of the impact of the education programme is the fact that ICL's sales are now growing at a rate which is well above the industry average. This is a significant achievement, considering that ICL's sales were down 10 per cent in 1983.

Even at this stage within ICL, the education programme is still a work in progress. "We're still a long way from being a fully-fledged systems company," says Bonfield. "We're still a long way from being a fully-fledged systems company."

To some extent, the education programme has been a success. It has changed the way ICL thinks and acts. It has brought about an absolute improvement in our responsiveness to the market-place. We've shed a lot of our old image of being rather stuffy and inconsistent.

To critics that ICL is still winning enough computer contracts to keep its head above water, Bonfield replies: "We're still a long way from being a fully-fledged systems company. We're still a long way from being a fully-fledged systems company."

He is untroubled by its decline in world market share since 1983. "This is a natural consequence of its decision to specialise," he insists. "What matters is that we're gaining in our chosen markets."

After achieving an annual growth in group turnover of 11 per cent over the past two years, he expects the computer industry average to climb to 15 per cent during the next three. "We've moved ICL into a new competitive arena," he says. "We're no longer slugging it out in the old one. Our strategy of selling total systems to selected markets is working, and we're not going to be knocked out of the way by IBM."

The second article in this series will appear on Wednesday.

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Balance-Sheet after appropriation as at December 31, 1985

## ASSETS

Cash on hand, Central Banks, Treasury and postal accounts  
Banks and other financial institutions  
Treasury bills and bills purchased outright or under resale agreement  
Loans to customers  
Customers' current accounts, overdrafts  
Cheques and bills for collection  
Accrued receivables, prepaid expenses and miscellaneous  
Marketable securities  
Investments in subsidiaries and affiliates  
Subordinated loans  
Fixed assets

## French Francs

1,607,788,397  
29,496,811,121  
3,162,518,428  
12,558,340,243  
725,174,895  
196,052,753  
953,915,654  
1,423,522,477  
65,205,123  
165,000  
115,113,569

## Equivalent U.S.\$

212,642,031  
3,901,178,564  
418,287,217  
1,680,936,416  
95,042,178  
21,961,745  
126,162,631  
188,271,720  
8,623,878  
21,323  
15,224,649

## Total Assets

50,275,805,660

## Total Assets

5,649,332,848

## LIABILITIES

Central Banks, Treasury and postal accounts  
Banks and other financial institutions  
Bills sold outright or under repurchase agreement  
Deposits from customers  
Special savings accounts  
Certificates of deposit  
Accounts payable after collection  
Interest payable, provisions and miscellaneous  
Floating rate notes  
Subordinated floating rate notes  
Shareholders' subordinated loans  
Reserves  
Capital

## French Francs

2,788,232,440  
36,286,711,909  
2,128,520,900  
3,352,364,597  
2,738,601  
702,958,239  
467,407  
2,052,579,028  
441,373,375  
756,100,000  
1,028,447,500  
206,613,683  
400,000,000

## Equivalent U.S.\$

368,500,521  
4,812,420,567  
281,513,147  
447,409,581  
361,837  
92,971,595  
61,815  
271,469,251  
56,375,028  
100,000,000  
136,020,037  
27,326,238  
52,903,055

## Total Liabilities

50,275,805,660

## Total Liabilities

5,649,332,848

The Annual General Meeting held on April 29, 1986 unanimously approved the balance-sheet and accounts for the year ended December 31, 1985, which showed net profits of FF 54 million against FF 51 million at the end of the previous year.

The same meeting decided to distribute a dividend of FF 28,125,000 to be compared to FF 22,500,000 in 1984, and to transfer the remaining amount to the General Reserves.

In 1985, the capital was enhanced from FF 250 to 400 million by incorporation of a convertible loan amounting to FF 150 million and the Shareholders' funds of the Bank were increased by 18.3 per cent in comparison with the previous year, to reach FF 1,700 billion.

During the same fiscal year, U.B.A.F. bought a participation of 51 per cent in one of the UBAF Group banks incorporated in Hong Kong: UBAN International Limited, and decided to open in Osaka a second branch in Japan.

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THE CHERNOBYL disaster gave Western governments at last week's Tokyo summit a great opportunity for waggling their fingers at the Soviet Union, and no doubt they had some reason for their indignation.

Yet merely did the radio-activity released by the accident spread damage into a number of neighbouring countries, but the Soviet authorities, for at least 10 days after the accident, were culpably uninformative about what had happened.

But it is not evident that these seven governments, three of which represent nuclear weapons states, were wise to strike such a self-righteous posture on an issue whose outcome is so far beyond the question of the safety of a nuclear power station in the Soviet Union, that no government, in East or West, may be secure from the political fallout.

Anti-Soviet sentiment in the West has undoubtedly been stirred up by the Chernobyl disaster, on at least four fronts. The Soviet Union is pilloried for having "caused" much of the worst civil nuclear accident in history; for building a type of reactor which, Westerners now tell us, is inherently unsafe; for callous disregard for the welfare of its own citizens — though whether this accusation is justified remains hidden by a veil of secrecy; and the veil of secrecy itself is condemned as proof, not just of callousness towards the people of neighbouring states, but also that there is, after all, nothing in Mr Mikhail Gorbachev's declarations of a policy of greater openness.

These may all look like excellent sticks for poking the bear in the eye. But was it really prudent for Western leaders, after a cursory expression of sanctimonious concern for the victims of the accident, to have belaboured the Russians so enthusiastically? After all, these sticks are pointed at both ends.

The Soviet accident raises questions, not just over safety standards, but also about the safety of nuclear power in other countries. These are not questions which can be eluded by denouncing the Russians. It is all very well for the British nuclear establishment to assert that the Chernobyl-type reactor is inherently unsafe, and would never have been licensed in the UK. Both parts of the argument may be true, but the implied corollary, that British nuclear reactors are inherently safe, is obviously untrue; they may be safer (or they may not), but even if they are, that is hardly the saving grace. Events show that nuclear reaction is inherently dangerous. Prudent design, high quality engineering and installation, meticulous management and operation, should all reduce the risk, they cannot eliminate it.



Boris Shcherbina, chief Soviet investigator; Sellafield; and recent Friends of the Earth propaganda

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### FOREIGN AFFAIRS: CHERNOBYL

## The stick with a point at both ends

By Ian Davidson

There have been many incidents, accidents and malfunctions at British nuclear plants, and many at US nuclear plants; nothing in history or logic can possibly sustain the proposition that a Chernobyl-type disaster "could never happen here."

The probability of a major accident, as at Chernobyl or Three Mile Island, may be low; the consequences of a major accident, both in themselves and in their political and health ramifications, are very serious, because of the nature of nuclear power. The Challenger disaster killed seven astronauts; no one will ever know for certain the eventual total of victims of Chernobyl. This contrast between the finite and the open-ended was mirrored in the official responses to the two types of accident. Despite the massive blow to American pride and to the American space programme, the official inquiry into the Challenger disaster has been brisk, ruthless and open; the initial response to Three Mile Island was almost as chaotic and confused as that at

Chernobyl, and any satisfactory post-mortem examination was long delayed.

The Soviet Union's public relations policy over Chernobyl has been the target of fierce criticism from British and other Western authorities. In the case of the UK, these criticisms come oddly from a nuclear lobby whose own public relations posture bears an uncomfortable resemblance to that of the Soviet Union: secrecy, suppression, denial, evasion, subterfuge, sycophantic arrogance, and bland reassurance. The record of radio-active leaks at Windscale is as long as your arm, and it did not end when the plant was re-named Sellafield as if to hide its identity. The mirror image will only be complete if the Russians re-christen Chernobyl with a similarly Orwellian alias.

The root problem of the nuclear power industry is that it is logically bound up with, and was originally little more than a by-product of, the production of nuclear weapons.

Governments have attempted to build fire breaks between the civil and the military; many have developed civil nuclear power programmes while at the same time formally renouncing, through adherence to the Non-Proliferation Treaty (NPT), any desire for nuclear weapons. States which subscribe to the NPT submit their civil nuclear power stations to inspection by the International Atomic Energy Agency, to ensure that nuclear fuel cannot be diverted to the production of nuclear weapons; even nuclear-weapon states, like Britain, submit their civil power stations to IAEA inspection.

This distinction between the civil and the military within nuclear-weapon states is obviously rather artificial; and the regime for preventing proliferation beyond the magic circle of the five nuclear-weapon states is inevitably uncertain, because it cannot ultimately prevent governments which feel that their national interests require nuclear weapons from developing them.

Part of the trauma of Chernobyl is that it has reminded the world both of the serious dangers of nuclear power, and of the link between nuclear power and nuclear weapons. Chernobyl itself may not have been used for making nuclear weapons material; but it appears that the Chernobyl-type reactor, which accounts for nearly half of the Soviet nuclear power programme, was specially designed for that purpose.

It is hard enough that a nuclear-weapon state, a member of the NPT and the IAEA, and a committed opponent of the proliferation of nuclear weapons, should have been the source of a major nuclear accident; what on earth can be expected, over time, of the probable safety of nuclear power plants exported to less developed countries, whose technological and management capabilities must be presumed, in many cases, to be inferior even to that of the Soviet Union?

Incredibly, Mrs Thatcher and President Reagan have both drawn gratuitous attention to

this civil-military connection, by proclaiming that the Chernobyl disaster underlines the need for more effective verification of nuclear arms control agreements. This is arrant and misleading nonsense, because nuclear power plants in nuclear-weapon states are not constrained by any kind of arms control. The IAEA no doubt has the expertise to certify the relative safety of nuclear power plants, but it has no mandate to do so; its task is to certify that nuclear fuel is not illicitly diverted from civil plants, and no nuclear weapon state, including Britain, allows the IAEA to inspect its military nuclear plants.

If Mrs Thatcher's reference to verification means anything, perhaps she will open Britain's military facilities to IAEA inspection; she could do worse than start by inviting an inspection of Windscale, if only to meet the anxieties of the Irish Government, which, unaccountably remains unsatisfied by official British assurances, repeated after every leakage, that the plant is, of course, absolutely safe.

No doubt Mrs Thatcher and President Reagan were merely groping for another reason for lambasting the Soviet Union; if so, they picked the wrong stick. It is possible, however, that their reference to verification, though totally irrelevant to the specifics of the Chernobyl accident, may not be at all irrelevant to the general political consequences of the accident. First, there is a clear need for greater openness in the Soviet system; it might have prevented the accident, it might have made the response from Moscow quicker and more effective, and it would certainly have limited the damage to the Soviet image in the rest of the world. The lesson may not have been lost in Moscow; last Wednesday's Press conference by Mr Boris Shcherbina was a striking departure from the first 10 days of denial and obfuscation.

Second and more important: the nuclear weapon states, starting with the superpowers, are now under a heavier obligation to demonstrate that they are ready and willing to live up to their international responsibilities, that the world is safe in their hands. The restrictions accepted by the non-nuclear-weapon states under the NPT depend heavily on the understanding by the weapon states to negotiate arms control; but not merely has there been no arms control achievement for seven years, there has been a continuous build-up of nuclear warheads on both sides; expectations of the new round of negotiations, which has just opened in Geneva, are dim in the extreme. Chernobyl should exert more pressure on Washington and Moscow to make real progress before the second Reagan-Gorbachev summit later this year; obviously, the pressure will be greatest on Moscow.

## Lombard Some doubts on James Baker

By Samuel Brittan

THE PRESENT Secretary of the Treasury, James Baker, has the characteristics required for media success. While his predecessor Donald Regan made little outward show of activity, Baker has launched one initiative after another. The present Secretary's response, if one set of headline proposals gets stuck, is to launch another.

When Regan (who used to run Merrill Lynch) told a subordinate to jump, the only response he expected was "How high?" By contrast Baker is friendly and approachable. While Regan — so far as he had any doctrine — believed that if every country put its own house in order the world economy would come right, Baker is a great exponent of concerted international action — or at least words about action.

While Regan was primarily a Chief of Staff, Baker glories in being political — which means he is unashamedly sensitive to the pressures of the farm belt states, US oil producers, the export lobby and so on.

There is no need to make a hero out of Donald Regan. A purely parochial financial policy was in the end bound to be unsatisfactory for the US itself. The combination of a large structural budget deficit offset by heavy international borrowing and episodes of tight money was always likely to come apart.

(In fairness one should, however, say that the tax reforms being considered by Congress, which might reduce anti-savings distortions, stem from the plans of Regan's Treasury.)

An appearance of movement is not necessarily to be sneezed at. In practice the "Baker Plan" for developing country debts, is turning into the familiar case-by-case muddle-through. But it has had its value in reassuring both creditors and debtors; and it agreement can be reached with Mexico, it could yet lead the way to a greater volume of properly considered lending.

It is on the wider issues of international economic management that the doubts become important. We have heard a great deal of talk about a new world exchange rate system, but an absence of hard ideas. It is one thing to give the dollar a shove, as in last September's Plaza agreement, when it was ready to jump

(downwards in non-Ragan fashion). It is quite another to reveal in still further depreciation, the need for which is disputed by Japan, Germany and other trading partners.

Apart from anything else, the politicisation of exchange rates introduces a fresh source of political conflict into the world. The Tokyo summit agreement, which Baker hailed as an unprecedented breakthrough, is already giving rise to confusion, disputes and misunderstandings.

Of course a determined US Administration can talk the dollar further down, especially if the markets believe it is prepared to pack the Federal Reserve. But it neglects at its peril Paul Volcker's warnings about the inflationary impact. The Carter Administration discovered the danger when it embarked on a very similar course and then had to call an abrupt halt. That was when Volcker was brought on the scene. Those who ignore history are condemned to repeat it.

Baker would claim that the crucial difference this time is the fall in the oil price. But both in his domestic and in his international campaign for lower interest rates, he is in danger of forgetting the difference between the one-for-all impact of lower oil prices and the underlying trend of inflation.

The one-for-all impact can be used as a basis for longer term counter-inflationary policies, but only if monetary policy is suitably non-accommodating. The behaviour of the US financial markets, where the upward sloping yield curve has steepened, reinforces these doubts.

There is also an element of *deja vu* in the Baker campaign for more expansionary policies in the industrial world to boost growth rates. One lesson of the 1960s and 1970s is that growth cannot just be turned on and off at the behest of governments. Financial policies can indeed be too restrictive, as well as too inflationary; but an assessment can only be made within what Sir Terence Burns calls "a nominal framework", whether that expression plays in Pavarotti or not.

Constant improvisation may head off protectionist sentiment in Congress for a while, but not for long. Action without adequate reflection can be as bad as inaction rationalised by inadequate theory.

### Joining the EMS

From Professor G. Maynard

Sir, — Mr Gould's opposition to the UK joining the European monetary system (May 7) is based on his long held belief in the efficacy of nominal exchange rate depreciation as a means of obtaining and maintaining UK competitiveness in its trade abroad.

What is required, however, is a fall in our real exchange rate, a rise in UK labour productivity and/or a fall in the real wage, but UK experience in the post-war period does not support the notion that nominal exchange rate depreciation can be relied on to produce on a sustained basis the lower real wages required. More productivity — clearly preferable to a fall in the real wage — is more likely to be achieved against the constraint of a strong exchange rate than by constant depreciation of the nominal exchange rate.

Without sustained rise in labour productivity, nominal exchange rate depreciation may enable us to compete with Third World countries but not with Germany.

(Prof) Geoffrey W. Maynard, Chase Manhattan Bank, 3 Shortlands, W6.

### Community radio

From Mr T. Brook

Sir, — Last September I applied for a community radio licence in accordance with the Home Office guidance note. This document specifically asks applicants to produce a timetable for coming on the air and "with a view to stations being able to broadcast in early 1986" states that "it is hoped" the successful applicants would be announced in December.

Now I have received a letter dated April 30 from the Home Office stating that the Home Secretary "has not yet reached conclusions on all the issues arising from the [advisory panel] report and the planning of the experiment." Various causes of delays have been cited in the Press ranging from police access to station premises to discontent in independent local radio. There are no fresh problems that were not known in January 1985 when the experiment and timetable were announced.

In the meantime, through expecting decisions by February, I have lost the option on a property and seen losses through keeping earmarked funds on deposit. Several hundred other applicants are presumably suffering similar inconvenience. Delaying the starting date for community

### Letters to the Editor

stations did not preclude informing successful applicants according to schedule.

The conclusion must be that government in this country is still lacking commitment to liberalisation of radio policy and continues in the long tradition of obstructivism which has seen allocation of aeronautical beacons and emergency services in worldwide broadcasting. Establishment of a (uniquely non-standard) citizen's band many years after most nations and disgraceful delays in allocating bands 1 and 3 over 10 years after the close-down plan for 405 line TV was known.

Trevor Brook, White Cottage, Shophouse Lane, Farley Green, Surrey.

### Profit sharing at work

From Mr M. Elliot

Sir, — The receipt of wages is profit sharing. Whence else does pay come?

The ugly spectre of yet another vehicle for tax relief portends merely an extra layer of scheming to be milked by the lawyers and accountants. Such schemes will be (intrinsically) valueless — except to those vested interests who will get paid for organising them and who the politicians have misunderstood since time immemorial. Indeed the cost of setting up schemes can only reduce profits.

Those who bleat to earn tax-relieved profit shares are misguided. They should fight simply — for more pay — or go elsewhere. Or if they want that share of profit which rewards ultimate responsibility, they are free to get into business themselves as owners, and earn it.

The bigger businesses who also join the bleating chorus should know full well that their smaller more competitive brethren cannot in the nature of things run such legally complex rule-ridden schemes. They ought therefore to know that the whole issue, if it can be bullied into law, will help them while hitting at the smaller firms they would rather be rid of. Need we listen to them? Is there something wrong with a pay scale having a bonus element that doesn't require tax relief to sell it? I'm all for that

when firms choose it for commercial reasons.

When will Nigel Lawson and his advisors get the message that the Conservative way forward should be to simplify and reduce tax? What is the point of complicating it and fuelling inflation with the hordes of parasitical tax specialists who live off that?

Please Nigel, let the Conservatives restore meaning and direct comparability to pay. Let us be rid of all such tax-based, and therefore false, incentives and allow the real high earners to be, the real high earners. Malcolm G. Elliot, Kingswood Buildings, Lower Kingswood, Tuddor, Surrey.

### The company car

From the Director, Society of Motor Manufacturers and Traders

Sir, — Mr Robin Small (May 6) suggests a lack of homework on my part. It is Mr Small who is clearly short of accurate facts and figures on this important issue. He repeats the unfounded, assertion that company cars account for 70 per cent of new car sales. In fact, Department of Transport figures show that new cars registered through company addresses in 1985 amounted to 45 per cent.

Mr Small makes no reference to the split between business and private mileage and he also overlooks the fact that a car provided to an employee for his work may not be suitable for his private use which is, no doubt, one reason why many company car drivers also find it necessary to purchase cars of their own.

Our "homework," based on a large-scale survey, indicates the typical company car covers about 25,200 miles a year of which 5,600 are for private use. This substantiates our view that company cars are primarily used as business tools. Mr Small refers to the so-called benefit of free fuel which, when supplied, is taxed separately from car benefit. For a car in the 1900cc-1800cc bracket, the scale charge is 2575. Assuming fuel consumption at 30 miles per gallon and a petrol price of £1.70 per gallon, he is therefore being charged for 10,147 private miles rather than the 5,600 miles he typically covers — an extreme case of over-taxation. It is true that British cars no longer dominate the company

market as they did in the past, but import penetration is substantially less than in the non-company market. Company purchases therefore remain a major source of business for the British motor industry on which many thousands of jobs depend, not only in car assembly, but also in the manufacture of components and materials.

The concern of those who represent the interests of the labour force should surely be to strengthen the motor industry rather than to undermine it with ill-founded criticism of this most important source of sales.

Anthony Fraser, Forbes House, Holkirk Street, SW1.

### Charities and the Finance Bill

From Mr P. Warren

Sir, — Many well to do people have set up private charitable trusts and transferred capital to them, often shares in their own private companies. Some of these have invested income in acquiring further assets with a view to ensuring an ever increasing income for charitable giving. These are now to be known as "private indirect charities." But if clause 29 of Schedule 7 of the Finance Bill is passed as drafted: there will be no relief from tax on income that is not spent in the year of receipt or in the three years following: income applied (a) to improving property held for investment; (b) in acquiring additional capital assets; or (c) in the repayment of loans, incurred for such purposes, or even to make gifts to needy causes in advance of available income, will not be entitled to relief; and relief from capital gains tax on the gain on the disposal of an asset is limited to the amount immediately applied in acquiring new qualifying assets, namely a freehold interest in land or Stock Exchange securities, or distributed to direct charities.

The removal of these reliefs will very seriously affect the ability of such private indirect charities (as they are now to be known) from fulfilling, as they have in the past, a continuing role in financing on an increasing basis (to keep pace with inflation) the direct charities which rely on them.

Does the Government really want to stop up or limit this way of helping charity? It seems totally inconsistent with the removal of the limits previously governing covenants and legacies for income tax and inheritance tax relief respectively.

P. Derek Warren, Goodman, Brown & Warren, 296-302 High Holborn, WC1.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday May 12 1986

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INTERNATIONAL BONDS

Volume of unplaced paper leaves market vulnerable

THE DOLLAR Eurobond market, still vulnerable to a downturn in sentiment because of the volume of unplaced paper, seemed paralysed last week as the record US Treasury auction progressed in New York, writes Clare Pearson in London.

Readers sat tight on positions, looking to see how many of the new Treasury bonds would be absorbed by the Japanese.

Hopes that normal trading would resume after this hurdle was passed were jeopardised on Friday afternoon after prices of Treasury bonds were marked down in the wake of the auction of the new 30-year bond. By the end of the day, however, when New York trading looked in better shape, the much feared sell-off in the Eurobond market had been averted.

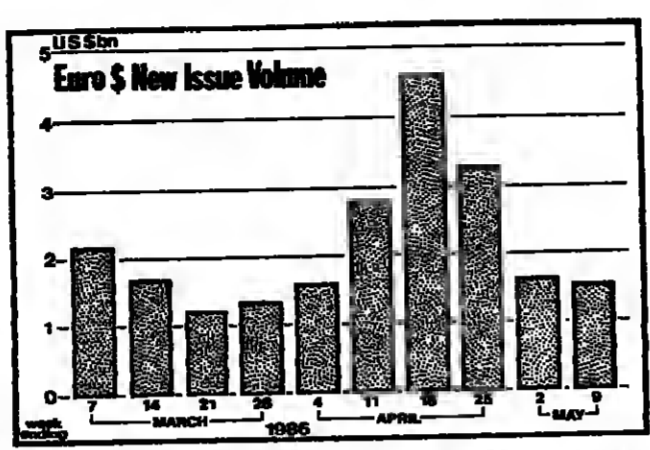
The dollar hit a record low of 161.65 on Friday, however, and its weakness is still weighing on the dollar sector of the Eurobond market even though the US Treasury auctions are out of the way. Nevertheless, sentiment was not so bad as to prevent a new \$150m bond, albeit senior debt for National Westminster Bank, from faring well in Friday's choppy waters.

Apart from offerings for very high-quality credits, these hard times seem to dictate a policy of tailoring issues to specific areas of demand.

Equity-linked deals, for instance, continued to find favour with investors last week. As usual, a crop of such bonds for Japanese borrowers shot to premiums, and a convertible issue for American Bankers Insurance Group was sufficiently well received to be increased to \$70m from an original issue size of \$50m.

Floating-rate note issues can find demand from commercial banks seeking high-quality assets. The week's two issues for Anas, Italy's highway authority, and Development Finance Corporation of New Zealand, were well received as they were for sovereign-related names and provided relatively generous margins.

Dealers were puzzled about what market Nomura International had found when it launched a \$100m deferred coupon floating-rate note for Banque Nationale de Paris. The bond pays no interest for the first two years and then 4.5 per cent over



London interbank offered rate (Libor) for the remainder of its five-year life.

Deferred coupons have recently become fashionable in the fixed-rate market amid assumptions that there is a pocket of demand for them in the Far East. The rolled-up coupons are priced to give a higher return than on a conventional bond while the borrower gains swap advantages from the structure.

BNP's bond was the first floating-rate note to use this structure. It did not trade actively in the market, and dealers said it had probably been preplaced with a Japanese banking institution, noting a preponderance of trust banks in the management group.

Continental markets were barely changed to slightly lower in thin trading due to the mid-week Ascension Day holiday.

Two of the three new deals in Ecu last week had coupons set at 7 per cent. Citicorp's new Ecu 50m 7 per cent bond seemed to be holding up well in an environment where seasoned, lower-couponed bonds have plummeted in price. It looks as if the Ecu market has entered a difficult phase where an issue must pay a relatively high coupon if it is to succeed. This jeopardises the swaps upon which the deals hinge. Moreover, borrowers are reluctant to lock into the rates investors seem to be demanding while they still expect further falls in interest rates in Ecu component currencies.

The D-Mark sector seems to be suffering from a similar problem, and last week's issues met with indifference. Dealers find little incentive to buy with prospects of German interest-rate cuts this month fading while borrowers are still keen to issue on tight terms. The market was slightly shaken by the appearance of five new bonds early in the week in the light of the record number of deals timetable for this month. Of these, one was an equity-related bond for a Japanese borrower and another a private placement for the World Bank. Both were well received, but the rest ended the week trading at discounts below the level of their fees.

German bankers, however, remain hopeful that the lacklustre state of the market is merely corrective, and that buying interest at lower prices will generate a firmer tone.

The Swiss franc market was lethargic last week, mostly because dealers were away on holiday. The softening of prices was also partially attributable to the depressing effect of an overhang of foreign interest payment securities, known locally as Fips. A crop of these bonds, which pay interest in dollars, has been launched recently and met with considerable disapproval.

Generally speaking these issues are structured in such a way that investors gain nothing from an appreciation in the value of the dollar though they lose if the dollar has fallen. The latest of these unsuccessful bonds, for Nordic Investment Bank, traded for the first time at 92%, as against a par issue price.

Salomon Brothers International announced on Friday an offering of

10,000 each of put and call Australian dollar currency warrants, totalling A\$200m. The issue is the first of its kind, reflecting the growth of the Australian dollar international markets and catering for the hedging needs of investors in Australian dollar securities. A\$3.16bn of bond issues have been launched into the international capital markets this year, which equals the volume for the whole of 1985.

EUROMARKET TURNOVER (in billions of dollars)				
Primary Market	Secondary Market	Conv	FRN	Other
US\$ 5,386.1	452.2	-	804.8	518.0
FRF 4,224.1	251.3	759.4	115.5	15.5
DM 2,720.0	-	1,154.5	131.5	47.7
Other	2,679.0	-	-	-
Secondary Market				
US\$ 23,142.1	1,206.1	9,578.3	2,731.7	-
FRF 24,855.1	1,550.4	12,708.0	2,859.8	-
DM 10,645.8	293.1	1,695.6	3,055.9	-
Other	14,447.0	197.0	2,115.1	5,707.0
Total				
US\$ 13,306.9	28,893.4	43,292.2	-	-
FRF 13,782.7	32,904.9	47,867.6	-	-
DM 9,616.4	8,943.3	16,559.7	-	-
Other	11,783.2	11,851.9	23,616.1	-

Week to May 8 1986 Source: AIB

EURONOTES AND CREDITS

Positive response to Gulf Canada's rare straight deal for \$500m

STRAIGHTFORWARD Eurocredits are becoming rather a rarity these days but last week offered some relief from the steady diet of commercial paper and Euronote deals which have dominated business recently, writes Peter Montagnon in London.

Gulf Canada, the Olympia & York subsidiary which recently acquired 80 per cent of Hiram Walker and owns a majority of the Abitibi-Price paper concern, is raising \$500m through a 10-year credit arranged through Chemical Bank.

Bank of America is also a lead manager in the deal, which is described as being for general corporate purposes. It carries a margin of

1/4 per cent over the London interbank offered rate for Eurocurrency deposits (Libor) for the first five years, rising to 1/2 per cent for the next five. During the first three years of its life it will be fully revolving for a commitment fee of 1/4 per cent.

One slightly unusual aspect of the deal is that 60 per cent of the amount will be available in Canadian dollars, a currency whose use in the Eurocredit market has become relatively rare. Initial indications suggested a positive response from the international banking community after the deal entered syndication last week.

Elsewhere, Chase Manhattan is

leading a \$110m, 11-year deal for Medio Credit, which is to finance Italian exports. This was a hotly contested mandate and has come out on predictably very fine terms. The borrower will pay a margin of 6/4 basis points for the first three years, rising to 10 basis points thereafter. Repayments start in December next year which gives a short average life of 8 1/4 years.

Chase is also leading a renegotiation of two outstanding loans to Fenosa, the Spanish electric utility which has been actively prepaying most of its foreign debt after sales of assets to another utility, Iberduero. Both the original loans were signed in 1980 and have outstanding balances of \$68m and \$109m respectively. Basic terms provide for a 10-year maturity with a six-year grace period and an initial margin of 20 basis points, rising in stages to 30. One tranche of the larger loan, amounting to \$40.9m, will have a final maturity of 3 1/2 years and a margin of 1/4 per cent over Libor.

Still awaited, however, are firm details of a hotly contested \$200m loan mandate from Iberduero itself as well as a decision by the Spanish authorities on a new \$500m deal to replace its revolving underwriting facility led by Merrill Lynch. Also in the pipeline are major deals for Ireland and Electricite de France.

Among deals already in syndication, Greece's \$300m credit has proved very popular, raising some \$270m from the market by last Friday. Syndication is being extended to allow banks which have not yet replied to come into the deal, but it is already clear that scope exists for a substantial increase.

This result will come as a relief to the Greek authorities as the deal marks the country's first return to the Eurocredit market since it was forced to seek financial assistance from the EEC last year. Bankers say the terms of the eight-year deal, which include a 1/4 per cent margin, have clearly proved more than attractive enough to restore the interest of lenders.

Also well oversubscribed is the Ecu 200m credit for Eutelsat, which is being arranged by S.G. Warburg and for which syndication closed last week.

Mitsui Trust and Banking has added an unusual twist to its \$1bn certificate-of-deposit programme in the Euromarkets. It includes a provision for the bank to issue fixed of floating-rate certificates of deposit for any maturity between 28 days and five years. Most such programmes concentrate on the shorter end of the market. Dealers are Lehman Brothers International, Paine Webber and Salomon Brothers.

Lehman is also arranging a

Takeover plan gets under way in Korea

By Steven Butler in Seoul

THE SOUTH Korean Government's long-awaited programme to merge large, insolvent businesses with healthy partners got under way with the announcement last week of two major corporate acquisitions.

Kia Motors, one of South Korea's principal vehicle producers with 1986 sales worth 500.6bn won (\$565m), will acquire Korea Heavy Machinery Industries, a company with assets worth some 101.5bn won which has been under the management of the Korea Development Bank since 1981.

The company is reported to have debts totalling 198.3bn won, and Kia has been granted a substantial, though undisclosed, package of tax benefits under a recently enacted tax reduction and exemption law. The Korea Development Bank will extend to Kia 180bn won of loans, repayable over a 10-year period after a 10-year grace period.

The Government also announced the merging of the bankrupt Pong Man Paper company with Kyesung Paper. Pong Man is reported to have assets of 52.3bn won and debts of 79.5bn won.

Toro to step up dividend

By Our Financial Staff

TORO Assicurazioni, the leading Italian insurance group, has achieved higher profits and plans an increase in its dividend.

Net profits for 1985 rose to L43.6bn (\$28.8m) from L33.5bn a year earlier. The performance stems in part from improved premium income, given a rise in premiums for last year to L1,296bn from L1,115bn.

The better profits background is allowing Toro to step up its payment to shareholders.

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New Issue / May, 1986

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## UK COMPANY NEWS

## USM value of British Island Airways is £11m

BRITISH ISLAND AIRWAYS, the non-scheduled airline carrier which takes International Leisure, Owners Abroad, Pegasus, Viking, and other tour operating companies' passengers to the Mediterranean hotspots, is coming to the USM via a placing of 2.7m shares priced at 60p each. This values the company at £10.8m.

Over the four years to 1985, pre-tax profits rose from £50,000 to £1.17m, turnover was up from £10m to £20.76m and the number of passengers carried increased from 184,000 to 371,000, placing the company fifth in the Gatwick carrier's league.

For 1986 the outlook is for continuation of recent profit rises says the company, which suggests pre-tax profits for the year in excess of £1.4m. The origins of BIA are in the 1981 management buy-out of Air UK. As a result, pilots who worked for Air UK hold some 20 per cent of the company. Of the rest of the shares, Mr Peter Villa, presently chairman and managing director, owns 70 per cent and other directors the outstanding 10 per cent.

## BOARD MEETINGS

TODAY	Energy	Avon
Associated	May 22	May 22
Services, SOC	May 21	May 21
Investment Trust, TH Technology	May 21	May 21
Investment Trust, Tysons (Contractors)	May 21	May 21
FUTURE DATES	May 21	May 21
Associated Paper Industries	May 21	May 21
Avon Rubber	May 21	May 21
Brown (Metrow)	May 21	May 21
M & G Group	May 21	May 21
National Australia Bank	May 21	May 21
Fisons	May 21	May 21
Anglo American Coal Corporation	May 21	May 21

The 2.7m shares being placed are equivalent to 15 per cent of the expanded total. Proceeds from the placing — in which Mr Villa will sell 800,000 shares and 900,000 are being sold by other directors and pilots, with the remaining 1m being new shares — will be £450,000 for BIA which will be used to expand working capital.

On a pro-forma basis net assets per share should be 85p. Net debt totals £3.4m secured on the company's eight aircraft. This compares with shareholders' funds of £3.3m at the

end of 1985 and £11.7m on a pro-forma basis following the placement, and the directors' revaluation of the company's fleet and spares up from £8.43m to £16.2m.

While final details of the placement will not be known until the prospectus is published on Wednesday, the indications are that the prospective price will be around eight times earnings in 1986 provided the low tax rates of recent years are maintained.

## King &amp; Shaxson profit up to £1.1m

King & Shaxson, the discount house which is bidding for competitor Smith St Aubyn, has lifted its net profit from £788,000 to £1.1m for the year ended April 30 1986. The figures are struck after providing for rebate, tax and contingencies.

The final dividend is 6.25p to raise the net total to 8.75p, compared with 8.25p. Total published resources have increased from £9.2m to £9.47m.

## Norfolk Capital

PRE-TAX profits at Norfolk Capital Group, hotel operator were £1.37m for the 15 months to December 31 1985 compared with £505,000 for the previous year. Lady Joseph, widow of Sir Maxwell, the retiring non-executive chairman, says the record results reflect the success of the marketing strategy which has been adopted by the management and the continuing upgrading of the company's hotels.

A total dividend of 0.3p against 0.25p has been paid. Stated earnings per share advanced from 0.47p to 0.82p.

## Joseph Holt ahead

Joseph Holt, Manchester-based brewer, has lifted pre-tax profits by 15.6 per cent from £2.64m to £3.05m in 1985. At the halfway stage, it had achieved £1.4m against a previous £1.21m.

The dividend, total for the year is increased to 16p (14p), with a 12.5p (11p) final proposed. Stated earnings per share rose from 49.53p to 61.75p.

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congratulates

## Technology Project Services PLC

on the company's successful public placing of 1,972,281 Ordinary shares at 140p per share.

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## TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES

Consolidated financial statement

at December 31, 1985

At its meeting on May 6, 1986, the Board of Directors examined the consolidated financial statements of the TOTAL Group at 31.12.85 (in millions of francs: M.F.).

	1985	1984
Sales	173,120	158,778
Cash flow	7,923	8,718
Results	1,426	1,307
—Group share	1,473	1,708
—Minority share	-47	-401
Estimated stock gains/losses	-2,000	1,400
Cash flow net of stock gains/losses	9,923	7,318

1. Cash flow is mainly attributable, as in previous years, to oil and gas production, particularly in the North Sea. The Refining and Marketing sector's results were severely affected by a stock holding loss of 2,000 M.F. due in very large part to the fall in the dollar. Net of stock holding losses, cash flow for this sector improved however, especially as regards the American affiliate TOP(NA).

The Group's cash flow, calculated net of stock holding losses, thus increased sharply from 7,318 to 9,923 M.F.

2. The value of the stocks listed in the financial statements of the refining/marketing subsidiaries at December 31, 1985 was determined on the basis of their market value at that date.

The fall in the oil price since the beginning of 1986 has therefore had no impact on the 1985 accounts. Because of this fall, turnover of the stocks ending at December 31, 1985 generated a loss in value of 2,500 M.F. compared to their balance sheet value; this sum confirms the forecasts made when the results of the parent company were published on March 5 last. It will be included in the Group's consolidated financial statements for 1986.

3. Gross capital expenditure amounted to 10,888 M.F. compared with 5,808 M.F. in 1984. Net capital expenditure was 8,037 M.F. against 7,093 M.F. Most of this expenditure was in the oil exploration and production sector.

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## UDO Holdings plc

(Incorporated in England under the Companies Acts 1948 to 1967 with Registered Number 1093958)

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Authorised	Ordinary shares of 10p each	£2,090,746
£2,800,000		

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Company Announcements Office  
The Stock Exchange  
Throgmorton Street, London EC2P 2BT  
up to and including 13th May, 1986

12th May, 1986

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Authorised	Ordinary Shares of 50p each	£9,807,456
£13,500,000		

President Entertainments plc currently owns and operates restaurants in London, England, in Orlando, Florida, USA and in Vancouver, British Columbia, Canada.

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ORION ROYAL BANK LIMITED

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UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

This announcement appears only as a matter of record only



## Canberra Capital Markets Limited

(A company incorporated in the Australian Capital Territory, Australia; a wholly-owned subsidiary of the Canberra Permanent Co-operative Building Society Limited)

A \$ 40,000,000  
14 1/2 per cent. Notes due 1991  
(Payable in U.S. dollars)

Guaranteed by

BANQUE NATIONALE DE PARIS

Issue Price 100 3/8 per cent.

BANQUE NATIONALE DE PARIS  
BANQUE BRUXELLES LAMBERT S.A.

ALGEMENE BANK NEDERLAND N.V.  
CHASE INVESTMENT BANK LIMITED

BANKAMERICA INTERNATIONAL LIMITED  
BANQUE INTERNATIONALE A LUXEMBOURG S.A.  
CHEMICAL BANK INTERNATIONAL GROUP  
DRESDNER BANK  
MORGAN GUARANTY LTD  
S.G. WARBURG & CO. LTD.

DAIWA EUROPE LIMITED  
KLEINWORT, BENSON LIMITED  
STANDARD CHARTERED MERCHANT BANK  
WESTPAC BANKING CORPORATION

17th March, 1986





<b>The Westminster Group</b> 64 Broadway, Perthamph PE1 1SU Mem. Scot. Wat. % 2 301.54	0733 42200 +0.1	<b>Prudential Pension Limited</b> Holborn Way, London EC1N 2HR Development Dept 7 103.75 104.75 116.75	34-35-322 +0.6 +0.5
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[illegible]

	Cat Fung 20	2678	2818	-07	Pers Prop Fd Ord	157.4	165.8
	Manager Pers Acc	369.7	389.8	+04	Pers Int Fd Ord	275.3	
	Deposit Pers Acc	181.8	191.4		Pers Fed Int Int Ord	239.9	249.4
	Payroll Pers Acc	100.9	100.5		Pers Low Sal Fd Ord	136.8	131.4

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[illegible]

## BRITISH FUNDS

Interest	Stock	Price	Last	Yield	Div
Rate				%	
<b>"Shorts" (Lives up to Five Years)</b>					
12mo	12m Treasury 1986-87	100.00	100.00	10.00	10.00
12mo	12m Treasury 1987-88	99.50	99.50	10.00	10.00
12mo	12m Treasury 1988-89	99.00	99.00	10.00	10.00
12mo	12m Treasury 1989-90	98.50	98.50	10.00	10.00
12mo	12m Treasury 1990-91	98.00	98.00	10.00	10.00
12mo	12m Treasury 1991-92	97.50	97.50	10.00	10.00
12mo	12m Treasury 1992-93	97.00	97.00	10.00	10.00
12mo	12m Treasury 1993-94	96.50	96.50	10.00	10.00
12mo	12m Treasury 1994-95	96.00	96.00	10.00	10.00
12mo	12m Treasury 1995-96	95.50	95.50	10.00	10.00
12mo	12m Treasury 1996-97	95.00	95.00	10.00	10.00
12mo	12m Treasury 1997-98	94.50	94.50	10.00	10.00
12mo	12m Treasury 1998-99	94.00	94.00	10.00	10.00
12mo	12m Treasury 1999-00	93.50	93.50	10.00	10.00
12mo	12m Treasury 2000-01	93.00	93.00	10.00	10.00
12mo	12m Treasury 2001-02	92.50	92.50	10.00	10.00
12mo	12m Treasury 2002-03	92.00	92.00	10.00	10.00
12mo	12m Treasury 2003-04	91.50	91.50	10.00	10.00
12mo	12m Treasury 2004-05	91.00	91.00	10.00	10.00
12mo	12m Treasury 2005-06	90.50	90.50	10.00	10.00
12mo	12m Treasury 2006-07	90.00	90.00	10.00	10.00
12mo	12m Treasury 2007-08	89.50	89.50	10.00	10.00
12mo	12m Treasury 2008-09	89.00	89.00	10.00	10.00
12mo	12m Treasury 2009-10	88.50	88.50	10.00	10.00
12mo	12m Treasury 2010-11	88.00	88.00	10.00	10.00
12mo	12m Treasury 2011-12	87.50	87.50	10.00	10.00
12mo	12m Treasury 2012-13	87.00	87.00	10.00	10.00
12mo	12m Treasury 2013-14	86.50	86.50	10.00	10.00
12mo	12m Treasury 2014-15	86.00	86.00	10.00	10.00
12mo	12m Treasury 2015-16	85.50	85.50	10.00	10.00
12mo	12m Treasury 2016-17	85.00	85.00	10.00	10.00
12mo	12m Treasury 2017-18	84.50	84.50	10.00	10.00
12mo	12m Treasury 2018-19	84.00	84.00	10.00	10.00
12mo	12m Treasury 2019-20	83.50	83.50	10.00	10.00
12mo	12m Treasury 2020-21	83.00	83.00	10.00	10.00
12mo	12m Treasury 2021-22	82.50	82.50	10.00	10.00
12mo	12m Treasury 2022-23	82.00	82.00	10.00	10.00
12mo	12m Treasury 2023-24	81.50	81.50	10.00	10.00
12mo	12m Treasury 2024-25	81.00	81.00	10.00	10.00
12mo	12m Treasury 2025-26	80.50	80.50	10.00	10.00
12mo	12m Treasury 2026-27	80.00	80.00	10.00	10.00
12mo	12m Treasury 2027-28	79.50	79.50	10.00	10.00
12mo	12m Treasury 2028-29	79.00	79.00	10.00	10.00
12mo	12m Treasury 2029-30	78.50	78.50	10.00	10.00
12mo	12m Treasury 2030-31	78.00	78.00	10.00	10.00
12mo	12m Treasury 2031-32	77.50	77.50	10.00	10.00
12mo	12m Treasury 2032-33	77.00	77.00	10.00	10.00
12mo	12m Treasury 2033-34	76.50	76.50	10.00	10.00
12mo	12m Treasury 2034-35	76.00	76.00	10.00	10.00
12mo	12m Treasury 2035-36	75.50	75.50	10.00	10.00
12mo	12m Treasury 2036-37	75.00	75.00	10.00	10.00
12mo	12m Treasury 2037-38	74.50	74.50	10.00	10.00
12mo	12m Treasury 2038-39	74.00	74.00	10.00	10.00
12mo	12m Treasury 2039-40	73.50	73.50	10.00	10.00
12mo	12m Treasury 2040-41	73.00	73.00	10.00	10.00
12mo	12m Treasury 2041-42	72.50	72.50	10.00	10.00
12mo	12m Treasury 2042-43	72.00	72.00	10.00	10.00
12mo	12m Treasury 2043-44	71.50	71.50	10.00	10.00
12mo	12m Treasury 2044-45	71.00	71.00	10.00	10.00
12mo	12m Treasury 2045-46	70.50	70.50	10.00	10.00
12mo	12m Treasury 2046-47	70.00	70.00	10.00	10.00
12mo	12m Treasury 2047-48	69.50	69.50	10.00	10.00
12mo	12m Treasury 2048-49	69.00	69.00	10.00	10.00
12mo	12m Treasury 2049-50	68.50	68.50	10.00	10.00
12mo	12m Treasury 2050-51	68.00	68.00	10.00	10.00
12mo	12m Treasury 2051-52	67.50	67.50	10.00	10.00
12mo	12m Treasury 2052-53	67.00	67.00	10.00	10.00
12mo	12m Treasury 2053-54	66.50	66.50	10.00	10.00
12mo	12m Treasury 2054-55	66.00	66.00	10.00	10.00
12mo	12m Treasury 2055-56	65.50	65.50	10.00	10.00
12mo	12m Treasury 2056-57	65.00	65.00	10.00	10.00
12mo	12m Treasury 2057-58	64.50	64.50	10.00	10.00
12mo	12m Treasury 2058-59	64.00	64.00	10.00	10.00
12mo	12m Treasury 2059-60	63.50	63.50	10.00	10.00
12mo	12m Treasury 2060-61	63.00	63.00	10.00	10.00
12mo	12m Treasury 2061-62	62.50	62.50	10.00	10.00
12mo	12m Treasury 2062-63	62.00	62.00	10.00	10.00
12mo	12m Treasury 2063-64	61.50	61.50	10.00	10.00
12mo	12m Treasury 2064-65	61.00	61.00	10.00	10.00
12mo	12m Treasury 2065-66	60.50	60.50	10.00	10.00
12mo	12m Treasury 2066-67	60.00	60.00	10.00	10.00
12mo	12m Treasury 2067-68	59.50	59.50	10.00	10.00
12mo	12m Treasury 2068-69	59.00	59.00	10.00	10.00
12mo	12m Treasury 2069-70	58.50	58.50	10.00	10.00
12mo	12m Treasury 2070-71	58.00	58.00	10.00	10.00
12mo	12m Treasury 2071-72	57.50	57.50	10.00	10.00
12mo	12m Treasury 2072-73	57.00	57.00	10.00	10.00
12mo	12m Treasury 2073-74	56.50	56.50	10.00	10.00
12mo	12m Treasury 2074-75	56.00	56.00	10.00	10.00
12mo	12m Treasury 2075-76	55.50	55.50	10.00	10.00
12mo	12m Treasury 2076-77	55.00	55.00	10.00	10.00
12mo	12m Treasury 2077-78	54.50	54.50	10.00	10.00
12mo	12m Treasury 2078-79	54.00	54.00	10.00	10.00
12mo	12m Treasury 2079-80	53.50	53.50	10.00	10.00
12mo	12m Treasury 2080-81	53.00	53.00	10.00	10.00
12mo	12m Treasury 2081-82	52.50	52.50	10.00	10.00
12mo	12m Treasury 2082-83	52.00	52.00	10.00	10.00
12mo	12m Treasury 2083-84	51.50	51.50	10.00	10.00
12mo	12m Treasury 2084-85	51.00	51.00	10.00	10.00
12mo	12m Treasury 2085-86	50.50	50.50	10.00	10.00
12mo	12m Treasury 2086-87	50.00	50.00	10.00	10.00
12mo	12m Treasury 2087-88	49.50	49.50	10.00	10.00
12mo	12m Treasury 2088-89	49.00	49.00	10.00	10.00
12mo	12m Treasury 2089-90	48.50	48.50	10.00	10.00
12mo	12m Treasury 2090-91	48.00	48.00	10.00	10.00
12mo	12m Treasury 2091-92	47.50	47.50	10.00	10.00
12mo	12m Treasury 2092-93	47.00	47.00	10.00	10.00
12mo	12m Treasury 2093-94	46.50	46.50	10.00	10.00
12mo	12m Treasury 2094-95	46.00	46.00	10.00	10.00
12mo	12m Treasury 2095-96	45.50	45.50	10.00	10.00
12mo	12m Treasury 2096-97	45.00	45.00	10.00	10.00
12mo	12m Treasury 2097-98	44.50	44.50	10.00	10.00
12mo	12m Treasury 2098-99	44.00	44.00	10.00	10.00
12mo	12m Treasury 2099-00	43.50	43.50	10.00	10.00
12mo	12m Treasury 2100-01	43.00	43.00	10.00	10.00
12mo	12m Treasury 2101-02	42.50	42.50	10.00	10.00
12mo	12m Treasury 2102-03	42.00	42.00	10.00	10.00
12mo	12m Treasury 2103-04	41.50	41.50	10.00	10.00
12mo	12m Treasury 2104-05	41.00	41.00	10.00	10.00
12mo	12m Treasury 2105-06	40.50	40.50	10.00	10.00
12mo	12m Treasury 2106-07	40.00	40.00	10.00	10.00
12mo	12m Treasury 2107-08	39.50	39.50	10.00	10.00
12mo	12m Treasury 2108-09	39.00	39.00	10.00	10.00
12mo	12m Treasury 2109-10	38.50	38.50	10.00	10.00
12mo	12m Treasury 2110-11	38.00	38.00	10.00	10.00
12mo	12m Treasury 2111-12	37.50	37.50	10.00	10.00
12mo	12m Treasury 2112-13	37.00	37.00	10.00	10.00
12mo	12m Treasury 2113-14	36.50	36.50	10.00	10.00
12mo	12m Treasury 2114-15	36.00	36.00	10.00	10.00
12mo	12m Treasury 2115-16	35.50	35.50	10.00	10.00
12mo	12m Treasury 2116-17	35.00	35.00	10.00	10.00
12mo	12m Treasury 2117-18	34.50	34.50	10.00	10.00
12mo	12m Treasury 2118-19	34.00	34.00	10.00	10.00
12mo	12m Treasury 2119-20	33.50	33.50	10.00	10.00
12mo	12m Treasury 2120-21	33.00	33.00	10.00	10.00
12mo	12m Treasury 2121-22	32.50	32.50	10.00	10.00
12mo	12m Treasury 2122-23	32.00	32.00	10.00	10.00
12mo	12m Treasury 2123-24	31.50	31.50	10.00	10.00
12mo	12m Treasury 2124-25	31.00	31.00	10.00	10.00
12mo	12m Treasury 2125-26	30.50	30.50	10.00	10.00
12mo	12m Treasury 2126-27	30.00	30.00	10.00	10.00
12mo	12m Treasury 2127-28	29.50	29.50	10.00	10.00
12mo	12m Treasury 2128-29	29.00	29.00	10.00	10.00
12mo	12m Treasury 2129-30	28.50	28.50	10.00	10.00
12mo	12m Treasury 2130-31	28.00	28.00	10.00	10.00
12mo	12m Treasury 2131-32	27.50	27.50	10.00	10.00
12mo	12m Treasury 2132-33	27.00	27.00	10.00	10.00
12mo	12m Treasury 2133-34	26.50	26.50	10.00	10.00
12mo	12m Treasury 2134-35	26.00	26.00	10.00	10.00
12mo	12m Treasury 2135-36	25.50	25.50	10.00	10.00
12mo	12m Treasury 2136-37	25.00	25.00	10.00	10.00
12mo	12m Treasury 2137-38	24.50	24.50	10.00	10.00
12mo	12m Treasury 2138-39	24.00	24.00	10.00	10.00
12mo	12m Treasury 2139-40	23.50	23.50	10.00	10.00
12mo	12m Treasury 2140-41	23.00	23.00	10.00	10.00
12mo	12m Treasury 2141-42	22.50	22.50	10.00	10.00
12mo	12m Treasury 2142-43	22.00	22.00	10.00	10.00
12mo	12m Treasury 2143-44	21.50	21.50	10.00	10.00
12mo	12m Treasury 2144-45	21.00	21.00	10.00	10.00
12mo	12m Treasury 2145-46	20.50	20.50	10.00	10.00
12mo	12m Treasury 2146-47	20.00	20.00	10.00	10.00
12mo	12m Treasury 2147-48	19.50	19.50	10.00	10.00
12mo	12m Treasury 2148-49	19.00	19.00	10.00	10.00
12mo	12m Treasury 2149-50	18.50	18.50	10.00	10.00
12mo	12m Treasury 2150-51	18.00	18.00	10.00	10.00
12mo	12m Treasury 2151-52	17.50	17.50	10.00	10.00
12mo	12m Treasury 2152-53	17.00	17.00	10.00	10.00
12mo	12m Treasury 2153-54	16.50	16.50	10.00	10.00
12mo	12m Treasury 2154-55	16.00	16.00	10.00	10.00
12mo	12m Treasury 2155-56	15.50	15.50	10.00	10.00
12mo	12m Treasury 2156-5				

Financial Times Monday May 12 1986  
INDUSTRIALS—Continued

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17600	Geac Comp	\$28	37	28
18220	Gen Corp	\$25	56	58
18300	Genstar L	\$28 1/2	36	38
830	Goldstar	\$9	84	84
8600	Goodman	\$10	84	84
1000	Granger A	\$18	174	184
1100	GL Forest	\$24	237	244
1310	Grayford	\$31 1/2	134	134
11950	Griffin A	\$12	13	13 1/2
1030	Hull Can	\$15 1/2	18	19 1/2
10950	Hawker	\$30	294	304
3144	Hawley	\$15	314	314
17000	Hem Int	\$33 1/2	33	33 1/2
4000	Hertzig A	\$25 1/2	254	264
5222	H J Baym	\$7 1/2	52	52
13300	Hillman	\$12	133	133
3200	Husky Oil	\$6 1/2	8	8 1/2
30500	Imperial	\$25 1/2	304	304
55971	Inco Oil	\$18 1/2	559	559
8400	Ingram	\$12	84	84
16500	Indal	\$12	165	165
3200	Intend Gas	\$12	32	32
32400	Innopp	\$15 1/2	154	154
6400	Inner City	\$10	12	12
41500	Intl Thom	\$19 1/2	415	415

Stock	Sales (Mnths)	High	Low	Li
RedLmL, .20b	45	23%	23	1
Reaves	40	13%	13	1
Rogers	20	177	7	84
Rogins	.18	61	10	15%
Rollins		73	7	8
RollAuto	.16	46	9%	9%
RollRight		878	10	17%

-	Reuter	.156	180	180	180
-	Reuth	.338	165	165	165
-	Rib	.333	1330	30	29%
-	Ribad	.32	138	252	26%
-	Ribad		406		
-	Riche		102	30	22%
-	Riche	.18	1160	393	38%
-	Rob	.06	114	12	12
-	Rob		87	19%	
-	Rob	.60	54	32	31%
-	Ro	1	126	9	8
-	Roy		146	30	28%
-	Roy		86	30	28%
-	Roy		33	30%	
-	Roy		50	10	9%
-	SCI		165	19%	19%
-	SCI		609	24	23%
-	SFE		24	493	23%
-	SFE	.24	493	23%	22%
-	Sol	1.60	621	59%	58
-	Sol		610	87	8
-	Sol		165	19%	19%
-	Sol		3	147	13
-	Sol		3	147	13

[illegible][illegible]

The Financial Times is printed in the day's edition well before midnight. At many newsstands or from

pink dispensers,  
is a grand finale to an evening on  
ute, well-informed and insightful,  
company over a nightcap.  
ot just for its illuminating discourt  
e and business. The FT is nothing  
each day there are reviews, comm

High Low Close Div

06500	Stock				
06500	Sceptre	325	300	305	+
37100	Scimitar	1313	312	312	+
37100	Scorpio	1,539	384	384	+
37100	Seagram	300	79	79	+
47000	Sears Card	521	14	14	+
47000	Sears Card	521	23	23	+
48000	Sherrin	57	84	84	+
39500	Soldier	100	29	29	+
39500	Soldier	100	29	29	+
10000	Stamby A I	547	47	47	+
10000	Stamby A I	547	47	47	+
78000	Stelco A	56	51	52	+
78000	Stelco A	56	51	52	+
7000	Teck B I	8,222	272	272	+
2200	Tele Mkt	540	20	210	+
2200	Tele Mkt	540	20	210	+
6200	Tenoco Can	376	204	272	+
24500	Tenoco Can	376	204	272	+
24500	Tenoco Can	376	204	272	+
21147	Thor Sun	2,259	258	261	+
21147	Thor Sun	2,259	258	261	+
99500	Torstar B I	3,322	311	320	+
42144	Torstar B I	3,322	311	320	+
42144	Torstar B I	3,322	311	320	+
38000	Trans-Air A	1,481	46	46	+
78000	Trans-Air A	1,481	46	46	+
44000	Trans-Alta U	130	125	130	+
44000	Trans-Alta U	130	125	130	+
39853	Trans Pl.	1,159	89	89	+
39853	Trans Pl.	1,159	89	89	+
31700	Truacac	245	230	230	+
100	Trinity Res	50	50	50	+
10710	Trizec A I	50	50	50	+
25300	Ualcan A I	541	41	41	+
25300	Ualcan A I	541	41	41	+
25300	Ualcan A I	541	41	41	+
12000	Unit Corp	120	120	120	+
12000	Unit Corp	120	120	120	+
12000	Unit Corp	120	120	120	+
400354	Veroast A I	330	300	300	+
421642	Veroast A I	330	300	300	+
11370	Vulcan Ind	557	57	57	+
500	Wajac A R	536	36	36	+
500	Wajac A R	536	36	36	+
500	Washburn	17	17	17	+

28021 Wedco	58 1/2	136	136
28022 Wedco	58 1/2	136	136
3300 Weston	5137	138	134
1-No value	or	restricted	vote

MONTREAL			
Closing prices May 9			
19615 Bank Mont	834	234	358
948 Bomp&A	\$224	224	224
10484 Bomp&A	\$224	224	224
42061 C&P	\$174	260	27
42081 Cascades	\$174	260	27
2720 CB Pac	\$224	214	135
1800 ComIt	\$33	243	243
6800 ConLath	\$26	243	243
1460 DLT	\$202	242	242
11100 Gas Meire	\$124	124	124
6666 MntTr	\$124	124	124
2168 Net&C	\$124	261	283
201669 Power Corp	\$334	344	35
24341 Provint	\$174	174	174
24341 Provint	\$174	31	31

14002	Royal Bank	523	329	528
14004	RoyalTrust	5359	5319	5353
3332	Sheinberg	5471	468	465
Total Sales		4,531,024	shares	

Day	Stock	Sales (picks)	High	Low	Low
14	USF&P	20	60	33	32 1/2
15	Udwin	1,64	14	10	10
16	USF&P		536	15	15
17	US Ant		770	29	10
18	US Bep		1	122	40
19	US Cap		16	5	2 1/2
20	USDgm		309	29	2 1/2
21	US HHC		12	1829	19 1/2

[illegible][illegible]

	X	Y
Winnif	90	75
Windm	164	83
WassrO	.40	175
Woodeh	.60	84
Worthin	.44	577
Wriat	.150	242
Wymun	.00	254
	X	Y
Xbeor	119	212
Xkud	102	12
Xkud	353	21
Xvif	.434	353
Xvif	.74	184
XzlonL	83	594
Xzlon	7	15
Xzlon	402	5
Xzlon	454	218
Xzmos	25	29



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6251	Gen. Bldg. A	242	242	25	-

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**Nasdaq national market, closing prices, May**

[illegible][illegible]

	May 9
1980	1222.5
Index (1/1/80)	500.0
Alcitra (21/65)	126.7
EE (1/1/80)	(c)
pen EE 16/1/80	23.0
ance (51/12/83)	107.0
ance (51/12/85)	40.5
Y	
en (51/12/85)	67.0
ebank (1/12/85)	1.0
ONG	
ng Bank (51/7/84)	155.0
orm Intl. (1979)	85
6/8/80	16.15
E New (4/1/80)	121
LAHSE	
S General (1970)	2
S Indust. (1978)	2
Y	
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